OFFICIAL TRANSCRIPT OF PROCEEDINGS BEFORE THE POSTAL RATE COMMISSION

In the Matter of:	)	
	)	
EXPERIMENTAL PARCEL RETURN SERVICES	)	Docket No. MC2003-2
	)	

Volume 2

Testimony and Designated Written Cross-Examination of Postal Service Witnesses Gullo, Eggleston, Kiefer, and Wittnebel

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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Experimental Parcel Return Services — Docket No. MC2003-2

DESIGNATION OF TESTIMONY AND WRITTEN CROSS-EXAMINATION

Party	Designated Material
John Gullo (USPS-T-1)	
Office of the Consumer Advocate	OCA/USPS-T1-1, 2a-d, 3a-b, 5-8, 9a-b, 10-22, 24-38, 39a-e, 40-45 OCA/USPS-T2-8, 10a, 11a-b redirected to T1
Postal Rate Commission	Response of Witness Gullo to Questions Posed at Prehearing Conference (Tr. 1/9-10,11)
United States Postal Service	Testimony (USPS-T-1)
Jennifer L. Eggleston (USPS-T-2)	
Office of the Consumer Advocate	APWU/USPS-T2-1-14 APWU/USPS-T3-2 redirected to T2 OCA/USPS-T2-1-7, 9, 12-25 OCA/USPS-T1-2e, 4a, 9c, 23, 39f redirected to T2
United States Postal Service	Testimony (USPS-T-2)
James M. Kiefer (USPS-T-3)	
Office of the Consumer Advocate	AAP/USPS-T3-1-7 APWU/USPS-T3-1, 3-9 OCA/USPS-T3-1-14 OCA/USPS-T1-3c, 4b redirected to T3
United States Postal Service	Testimony (USPS-T-3)

Party	Designated Material
Jonathan E. Wittnebel (USPS-T-4)	
Office of the Consumer Advocate	OCA/USPS-T4-1-8
United States Postal Service	Testimony (USPS-T-4)

Respectfully submitted,

Steven W. Williams
Secretary

TESTIMONY AND DESIGNATED WRITTEN CROSS-EXAMINATION

Designated Material	Designating Parties
***John Gullo* (USPS-T-1)**	
Testimony	USPS
OCA/USPS-T1-1	OCA
OCA/USPS-T1-2a	OCA
OCA/USPS-T1-2b	OCA
OCA/USPS-T1-2c	OCA
OCA/USPS-T1-2d	OCA
OCA/USPS-T1-3a	OCA
OCA/USPS-T1-3b	OCA
OCA/USPS-T1-5	OCA
OCA/USPS-T1-6	OCA
OCA/USPS-T1-7	OCA
OCA/USPS-T1-8	OCA
OCA/USPS-T1-9a	OCA
OCA/USPS-T1-9b	OCA
OCA/USPS-T1-10	OCA
OCA/USPS-T1-11	OCA
OCA/USPS-T1-12	OCA
OCA/USPS-T1-13	OCA
OCA/USPS-T1-14	OCA
OCA/USPS-T1-15	OCA
OCA/USPS-T1-16	OCA
OCA/USPS-T1-17	OCA
OCA/USPS-T1-18	OCA
OCA/USPS-T1-19	OCA
OCA/USPS-T1-20	OCA
OCA/USPS-T1-21	OCA
OCA/USPS-T1-22	OCA
OCA/USPS-T1-24	OCA
OCA/USPS-T1-25	OCA
OCA/USPS-T1-26	OCA
OCA/USPS-T1-27	OCA
OCA/USPS-T1-28	OCA
OCA/USPS-T1-29	OCA
OCA/USPS-T1-30	OCA
OCA/USPS-T1-31	OCA
OCA/USPS-T1-32	OCA
OCA/USPS-T1-33	OCA
OCA/USPS-T1-34	OCA

Designated Material	Designating Parties
OCA/USPS-T1-35	OCA
OCA/USPS-T1-36	OCA
OCA/USPS-T1-37	OCA
OCA/USPS-T1-38	OCA
OCA/USPS-T1-39a	OCA
OCA/USPS-T1-39b	OCA
OCA/USPS-T1-39c	OCA
OCA/USPS-T1-39d	OCA
OCA/USPS-T1-39e	OCA
OCA/USPS-T1-40	OCA
OCA/USPS-T1-41	OCA
OCA/USPS-T1-42	OCA
OCA/USPS-T1-43	OCA
OCA/USPS-T1-44	OCA
OCA/USPS-T1-45	OCA
OCA/USPS-T2-8 redirected to T1	OCA
OCA/USPS-T2-10a redirected to T1	OCA
OCA/USPS-T2-11a redirected to T1	OCA
OCA/USPS-T2-11b redirected to T1	OCA
Response of Witness Gullo to Questions Posed at Prehearing Conference (Tr. 1/9-10,11)	PRC

Jennifer L. Eggleston (USPS-T-2)

Testimony	USPS
APWU/USPS-T2-1	OCA
APWU/USPS-T2-2	OCA
APWU/USPS-T2-3	OCA
APWU/USPS-T2-4	OCA
APWU/USPS-T2-5	OCA
APWU/USPS-T2-6	OCA
APWU/USPS-T2-7	OCA
APWU/USPS-T2-8	OCA
APWU/USPS-T2-9	OCA
APWU/USPS-T2-10	OCA
APWU/USPS-T2-11	OCA
APWU/USPS-T2-12	OCA
APWU/USPS-T2-13	OCA
APWU/USPS-T2-14	OCA
APWU/USPS-T3-2 redirected to T2	OCA
OCA/USPS-T2-1	OCA
OCA/USPS-T2-2	OCA
OCA/USPS-T2-3	OCA
OCA/USPS-T2-4	OCA
OCA/USPS-T2-5	OCA

Designated Material	Designating Parties
OCA/USPS-T2-6	OCA
OCA/USPS-T2-7	OCA
OCA/USPS-T2-9	OCA
OCA/USPS-T2-12	OCA
OCA/USPS-T2-13	OCA
OCA/USPS-T2-14	OCA
OCA/USPS-T2-15	OCA
OCA/USPS-T2-16	OCA
OCA/USPS-T2-17	OCA
OCA/USPS-T2-18	OCA
OCA/USPS-T2-19	OCA
OCA/USPS-T2-20	OCA
OCA/USPS-T2-21	OCA
OCA/USPS-T2-22	OCA
OCA/USPS-T2-23	OCA
OCA/USPS-T2-24	OCA
OCA/USPS-T2-25	OCA
OCA/USPS-T1-2e redirected to T2	OCA
OCA/USPS-T1-4a redirected to T2	OCA
OCA/USPS-T1-9c redirected to T2	OCA
OCA/USPS-T1-23 redirected to T2	OCA
OCA/USPS-T1-39f redirected to T2	OCA

James M. Kiefer (USPS-T-3)

Testimony	USPS
AAP/USPS-T3-1	OCA
AAP/USPS-T3-2	OCA
AAP/USPS-T3-3	OCA
AAP/USPS-T3-4	OCA
AAP/USPS-T3-5	OCA
AAP/USPS-T3-6	OCA
AAP/USPS-T3-7	OCA
APWU/USPS-T3-1	OCA
APWU/USPS-T3-3	OCA
APWU/USPS-T3-4	OCA
APWU/USPS-T3-5	OCA
APWU/USPS-T3-6	OCA
APWU/USPS-T3-7	OCA
APWU/USPS-T3-8	OCA
APWU/USPS-T3-9	OCA
OCA/USPS-T3-1	OCA
OCA/USPS-T3-2	OCA
OCA/USPS-T3-3	OCA
OCA/USPS-T3-4	OCA

Designated Material	Designating Parties
OCA/USPS-T3-5	OCA
OCA/USPS-T3-6	OCA
OCA/USPS-T3-7	OCA
OCA/USPS-T3-8	OCA
OCA/USPS-T3-9	OCA
OCA/USPS-T3-10	OCA
OCA/USPS-T3-11	OCA
OCA/USPS-T3-12	OCA
OCA/USPS-T3-13	OCA
OCA/USPS-T3-14	OCA
OCA/USPS-T1-3c redirected to T3	OCA
OCA/USPS-T1-4b redirected to T3	OCA

Jonathan E. Wittnebel (USPS-T-4)

Testimony	USPS
OCA/USPS-T4-1	OCA
OCA/USPS-T4-2	OCA
OCA/USPS-T4-3	OCA
OCA/USPS-T4-4	OCA
OCA/USPS-T4-5	OCA
OCA/USPS-T4-6	OCA
OCA/USPS-T4-7	OCA
OCA/USPS-T4-8	OCA

United States Postal Service

John Gullo
(USPS-T-1)

USPS-T-1

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

EXPERIMENTAL PARCEL RETURN SERVICES

Docket No. MC2003-2

DIRECT TESTIMONY
OF
JOHN GULLO
ON BEHALF OF
UNITED STATES POSTAL SERVICE

TABLE OF CONTENTS

Direct Testimony
Of
John Gullo

AUTOBIOGRAPHICAL SKETCH

My name is John Gullo. I currently serve as a Marketing Specialist in the Package Services, Product Development Department, for the United States Postal Service. I have been in this position since March 2002. I am currently responsible for the development and implementation of a new Merchandise Return Service.

I have been with the Postal Service for over 25 years. During this period, I have worked over 7 years in several Headquarters positions under Marketing and Expedited/Package Services. In these positions, I have been responsible for development and management activities on national programs including the Postal Business Centers, the Customer One System (national account management database), Delivery Confirmation™ service offering, and the online shipping application.

Prior to my Headquarters assignments, I worked in the Western New York District for 18 years. During this time I worked as a distribution clerk, maintenance mechanic, electronic technician, automation readability specialist, and Manager of the Buffalo & Rochester, NY, Postal Business Centers.

I. PURPOSE OF TESTIMONY

The purpose of my testimony is to describe the proposed Parcel Return Services products. I will describe the product designs, their operations, the system development to support the services, the various stages of implementation, and the methods used to collect data through the experimental period. There are no workpapers or library references directly associated with this testimony.

II. OVERVIEW

The parcel market has been evolving and the Postal Service's offering has evolved with it. Prior to the 90's, surface parcels were seen as a means to send a parcel or parcels from one postal customer to another. The Postal Service and the Postal Rate Commission recognized that the market had changed and that larger shippers had different needs – and that the Postal Service had a unique opportunity to reduce costs through worksharing. The worksharing options introduced in 1991, and their enhancement in 1999, helped serve the needs of these customers. In 1999, the Postal Rate Commission and the Postal Service recognized that these same shippers needed to know more about the delivery of these parcels and therefore Delivery Confirmation was introduced. It, like worksharing, was enhanced in subsequent filings. The sum of these measures indicates that the Postal Service and Postal Rate Commission recognize the evolving needs of shippers and have worked to meet them.

The Postal Service is not the only sector of the economy to evolve. While "brick and mortar" remain the dominant form of retail, other options have also evolved. Direct marketers have become much more sophisticated over the past two decades, with several cataloguers becoming household names. And the Internet has opened up a

whole new channel of sales opportunities. Regardless of the channel, however, sales inevitably lead to returns. Unlike traditional retail channels, e-tailers and cataloguers do not always have a convenient "brick and mortar" sales outlet for returns. Instead, these entities rely on the mail or other parcel carriers as a return route.

While the Postal Service has had a merchandise return option since 1985, it was built on the model that returns were similar to the single-piece rate outbound shipments. That may no longer be the case. Witness Wittnebel (USPS-T-4) describes the returns market in a manner that suggests that new ways of handling and pricing returns may be needed to accommodate this market and evolving industry.

An opportunity exists to expand to merchandise returns the benefits of worksharing that have been successful for outbound parcels. The current Parcel Select® service offering is targeted toward business-to-residential shippers with volume over 100 parcels per day, allowing them to deposit the parcels closer to their destinations. In offering a similar bulk merchandise return service, the Postal Service would be targeting the same shippers, but focusing on merchandise returned from consumers to merchants. Return parcels would most likely be picked up at the same facility where the packages originally were deposited (such as the Destination Bulk Mail Center or the Destination Delivery Unit).

Shippers would benefit by being able to take advantage of increased efficiency in their routes by dropping off and picking up parcels at the same time. As a result of this worksharing, more favorable rates could be offered that reflect savings in transportation and mail processing costs. The shipper would be able to determine the financial viability of picking up return parcels at the return post office or a bulk mail center based

on density and volume of returns in a specific city or region. The Postal Service would benefit through increased efficiency in processing these returns.

The Postal Service is therefore requesting that the Commission recommend experimental Parcel Return Services with commercial pricing as described in the testimony of Witness Kiefer (USPS-T-3). The next section of my testimony will discuss the product design, including labeling requirements, operational processes and flow, and payment and technology processes to support the services.

III. TERMINOLOGY

The following terms used throughout this testimony are defined as:

- Consumer – a person who returns a product or merchandise to the merchant or its agent.
- Shipper or Agent – the company or service provider responsible for picking up returned parcels from a post office delivery unit or bulk mail center.
- Return Delivery Unit (RDU) – a post office identified on the Parcel Return Services label where the shipper or agent picks up the returned parcel.
- Return Bulk Mail Center (RBMC) – the bulk mail center (BMC) that services the ZIP Code where the returned parcel is entered into the mailstream.
- Permit holder – the authorized holder of a Parcel Return Services permit responsible for payment of postage due for parcels returned under the specified permit number.

IV. PRODUCT DESIGN

The process for inducting Parcel Return Services parcels would be similar to the process used in accepting Merchandise Return Service parcels. The principal

differences would affect how the parcels are sorted and finalized once received by the return delivery unit (RDU) or return bulk mail center (RBMC). Participating shippers or agents would be responsible for creating return labels identifying the type of service (RDU or RBMC) requested. The parcels would be held for pickup based on the labeling information and how the consumer tenders the parcel to the Postal Service. RDU addressed parcels that enter the mailstream outside of the service area of that delivery unit would be held for collection at the RBMC. The RBMC service would include separate rate categories for Parcel Post and Bound Printed Matter returns.

Labeling Specifications

Parcel Return Services labels would be similar to Merchandise Return Service labels. Specific label requirements would be developed and provided to applicants prior to the implementation of these services. Label barcodes for these services would conform to existing Postal Service barcoding requirements.

The primary differences between Parcel Return Services and Merchandise Return Service labels would include specific design elements to allow the Postal Service to capture a unique parcel tracking number, and easily identify the permit holder and shipper (or agent) for sorting purposes. The currently contemplated label design includes the following elements:

- Parcel Return Services Label Legend

Each Parcel Return Services label would be required to include text identifying the service requested. The text would be included in a label legend box directly above the delivery address.

- Unique delivery address formatting

Each Parcel Return Services label would be required to contain the address of the desired pick-up location (i.e., the specific address of the RDU or RBMC). The first line would contain the type of service requested (either RDU or RBMC), followed by the delivery address, city, state, and ZIP Code. All address information would be required to be printed on the label and fit entirely on one side of the parcel.

For RDU service, the delivery address would be required to contain the 9-digit ZIP Code of the post office where the parcels would be picked up. Additionally, all labels addressed to an RDU would have to contain a postal routing barcode assigned to the unique ZIP Code of the origin BMC. This is further explained in the Postal Routing Barcode section.

For parcels addressed to the RBMC, a unique ZIP Code would be assigned by the Postal Service and would have to be included in both the address and the postal routing barcode. This unique ZIP Code assignment would be used for sorting these parcels to specific runoffs during processing in the BMC. This process is further defined in the Operational Flow section.

- Mailer ID

Each parcel would have a human-readable unique Mailer ID to identify the shipper or agent. The Mailer ID would consist of an alpha character followed by numeric digits. The alpha character would be assigned to the shipper or agent by the Postal Service after receipt of their application to participate in the experiment. The numeric digits would be determined by the shipper or agent and could be used to assist in their processing operations to identify individual clients. The ID would have to be

printed in the lower right portion of the label to the right of the delivery address, within a square no less than 5/8" tall and in capital letters using a bold san serif font of at least 20 point.

The Mailer ID would be used to sort parcels received at an RDU or RBMC. This is especially critical for BMC operations. Based on densities and operational requirements, it is likely that return parcels for multiple shippers would be commingled to a single BMC runoff. The Mailer ID would allow the Postal Service to optimize manual sortation of these parcels.

- Parcel Return Services Barcode

The Parcel Return Services barcode is designed to collect information on parcels returned through the Parcel Return Services program. Shippers (or their agents) would be required to include this barcode on the return label. Each Parcel Return Services barcode would be unique and contain specific information identifying the shipper approved to use this service. Additionally, the barcode would be used to differentiate labels addressed to an RDU from those addressed to an RBMC.

- Postal Routing Barcode

Each parcel would have a postal routing barcode identifying the ZIP Code assignment for the origin BMC of the consumers return address. This barcode is designed to sort the parcels once they have arrived at the RBMC. Although not used for RDU sortation, this barcode is required to facilitate processing for parcels that bypass the RDU and are sorted at the RBMC. A unique ZIP Code assignment would be developed for each BMC and allow the Postal Service to sort the parcels to specific runoffs or chutes assigned to this program. The postal routing code would be required

on all Parcel Return Services labels and could be printed as a separate barcode or concatenated with the Parcel Return Services code. The concatenated option is included to minimize the print area required to include these barcodes.

V. POSTAGE PAYMENT

Witness Kiefer (USPS-T-3) proposes three rate categories for the Parcel Return Services products:

- Parcel Select RDU
- Parcel Select RBMC
- Bound Printed Matter RBMC

Each participant would be required to submit a completed Form 3615 and the annual permit fee to the post office issuing the permit. In addition, the permit holder would pay an annual accounting fee. The postage for returned parcels would be deducted from a centralized advance deposit account. The proposed rates and fees are discussed in witness Kiefer's testimony.

The RDU rates would be charged for parcels addressed and captured at the post office identified on the return label. These items would be scanned, sorted, and held for pick up by the shipper identified by the Mailer ID on the label. Account information used for postage payment would be identified by the Parcel Return Services code and permit number on the parcels. The information collected from the scanned barcodes would generate a daily postage due manifest and would be used to deduct postage from the permit holder's Centralized Account Processing System (CAPS) account. An Automated Clearing House (ACH) debit, which is a standard banking mechanism, would be used to fund the CAPS account.

The RBMC rate would be charged to shippers or their agents who pick up parcels at an RBMC. They would be required to develop and install a "returns manifesting" system at the facility where the postage due for the return parcels would be calculated. This system could function in tandem with the shippers' own package accounting responsibility to the retailers. The shippers would also be required to provide a workspace for a postal employee to sample and verify the returned parcels against the manifest created by the shipper. The "returns manifesting" system would follow the requirements contained in USPS Publication 401, *Guide to Manifest Mailing System*, and the returns manifesting system addendum that would be developed for this program. All manifesting systems would have to be approved by the Postal Service prior to activation.

At a high level, the "returns manifesting" system would have to accurately weigh, rate, and identify each parcel returned through this program. The weight for each piece would be entered into the computer either automatically by a scale connected to a computer or by an operator who weighs each piece. The computer would calculate the postage and records it on a manifest corresponding to the identification number of that piece. The manifest could be on paper or in electronic form, such as a diskette or other accessible media.

The Postal Service would verify the accuracy of the manifest by comparing random samples of the mailing. If the total postage or total weight of the pieces sampled fell outside of the allowable tolerance, the Postal Service would adjust the total postage for the mailing. After completing the verification, the Postal Service would deduct the postage due from the permit holder's CAPS account. Finally, the shipper

would be required to transmit an electronic file listing all of the parcels manifested to a Postal Service database.

VI. USPS SYSTEM REQUIREMENTS

Parcel Return Services will use the following Postal Service systems and devices to support postage payment processes, provide operational and external parcel visibility, and collect data that would be used to develop future costing and pricing considerations.

- Mobile Data Collection Device (MDCD)

The Postal Service has deployed to its field units approximately 350,000 handheld scanning devices (a.k.a. MDCDs – mobile data collection devices). The primary operation of these devices is to collect and transmit barcode information from Express Mail and special service labels.

Postage due for Parcel Return Services parcels picked up at an RDU would be automatically charged against the permit holder's CAPS account. To identify these parcels and create the payment manifest, the Parcel Return Services barcode would be scanned at the RDU. The MDCDs would capture information when parcels are made available for pickup by the shipper (or agent), when they are picked up, and to record sampling information on parcels received at a Post Office. The data collected from these scans would be transmitted to our Product Tracking System consistent with existing data transfer functionality.

- Product Tracking System (PTS)

The Product Tracking System is a Postal Service database created to store acceptance and delivery information on Postal Service products and services.

All Parcel Return Services labels would include a unique barcode identifying the parcel. The MDCD scanners and the BMC passive scanners would be used to scan information from these barcodes. In addition, shippers who pick up mail from an RBMC would be required to send an electronic file of the Parcel Return Services parcels manifested at their site. The information from these sources would be transmitted to PTS where it would be used to support the following activities:

1. Payment Process for RDU parcels – PTS would aggregate all scan transactions received from the return delivery units. This data would be used to generate a daily postage due manifest for parcels received at all return delivery units nationwide.
2. Parcel Tracking – Scanning information and electronic data submitted by the shipper would be accessible via USPS.com. Additionally, all transactional scan data would be included in the extract file of the account holder identified in the D-U-N-S® number contained in the Parcel Return Services barcode.
3. Data Collection for Experiment – All scan data captured by the Postal Service and electronic file data submitted by the shipper (or agent) would be collected in PTS. This information would be aggregated into a database during the test period for volume and revenue analysis, shipper performance, service measurement, and costing metrics.

- PostalOne!

PostalOne! is a suite of on-line services that allows the Postal Service to electronically collaborate with its business mail customers. It streamlines the mail

acceptance and postage payment process, provides consistent verification, improves tracking of mailing jobs and access to information, and eliminates paperwork. The PostalOne! System processes mailing statements and maintains advanced deposit trust funds for First Class, Standard Mail, Package Services and Business Reply Mail permits.

To support Parcel Return Services, PostalOne! would be used to collect postage due information and create the necessary postage statements. The postage statements would be used to deduct the appropriate postage from the permit holder's CAPS account.

- Permit System

The Permit System processes mailing statements and maintains advanced deposit trust funds for First Class, Standard Mail, Package Services and Business Reply Mail permits.

To support Parcel Return Services, the Permit System would be used for postage due transactions for all three of the Parcel Return Services rate categories. The Permit system would provide screens and tables to facilitate the proper deduction of postage due charges to the appropriate Parcel Return Services permit holder.

VII. OPERATIONAL FLOW

Mailers participating in Parcel Return Services would provide specially designed labels (see Section IV) to their consumers. To return merchandise, consumers would place the return label on the parcel and give it to their postal carrier, place it in a collection box, schedule a pickup, or bring it into any post office.

If the parcel is received by the RDU post office addressed on the label, the office would scan the parcel as available for pick up, sort the parcel based on the human-readable Mailer ID code, and hold it for pickup by the shipper or its agent. When the shipper or agent arrived to pick up the parcel, it would be scanned to indicate pick-up. After the parcel is scanned, it would be handed off to the shipper or agent and loaded into their vehicle. The scanned data would be transmitted to postal systems where a manifest would be created to identify the postage due for each permit holder. This process would run daily and amass all data scanned nationally during the specified timeframe. The postage due manifests would be used to deduct the appropriate funds from the permit holder identified on the return label.

At a minimum, participating shippers or agents would be required to pick up once a week from each post office where they receive returns. Shippers would be required to make an appointment by contacting the RDU at least one business day before picking up Parcel Return Services parcels. However, if the shipper already had a Destination Delivery Unit (DDU) appointment to drop off Parcel Select® packages, it could also pick up the return parcels during the same appointment. Additionally, the shipper might be required to pick up parcels more frequently based on the size of the return parcels and post office space constraints. Part of the experiment is to monitor this situation to examine if there are staging issues that would need to be addressed in the future.

Any parcel not captured at origin by the Post Office identified on the return label, or any parcel addressed to an RBMC, would be transported to the BMC serving the origin ZIP Code using existing transportation. Once inducted into the BMC system, the

postal routing barcode on the label would be scanned and the parcel would be sorted to the appropriate runoff. A unique postal routing barcode would be used to automate the sort process within the BMC. The only exception to this process would result from non-machinable parcels addressed to an RDU or RBMC. In these instances, the parcel would be visibly identified as a Parcel Return Services parcel and manually sorted to a designated processing area. The Mailer ID would then be used to finalize the sortation to the appropriate shipper or agent for pick up.

Additionally, the BMC passive scanners would capture the Parcel Return Services barcode on machinable parcels and pass the information to the Product Tracking System. This information would be used to sample volume information, as well as assist in payment auditing.

Once the parcels arrive at the RBMC return runoff, the parcels would be manually sorted according to the Mailer ID codes. Mailer ID codes would help to identify the shipper and eliminate the need for scheme knowledge to sort the parcels. When sorted, the parcels would be placed into containers as appropriate for the volume received. The containers would be transported to the designated dock area when the shipper or agent arrives to pick up the parcels. Shippers would be required to pick up Parcel Return Services parcels on a regular schedule, every two days at a minimum, excluding Sundays and postal holidays. Additionally, shippers would be required to set up a recurring or standing appointment to pick up Parcel Return Services parcels by contacting the BMC prior to establishing the service. When the shipper or agent's truck is available at the dock, postal employees would load the containers. After loading the truck, the postal employee would complete a bill of lading form, place a copy with the

parcels, and seal the trailer. One copy of the form would be given to the driver of the truck, and a copy would be kept on file at the BMC.

The shipper or agent would then transport the parcels to their processing facility where they would be manifested by the shipper and verified by the Postal Service. The following process describes the events that would take place at the shipper's facility:

1. Only a postal employee would be authorized to break the seal on the truck and verify the bill of lading to the contents of the truck. Any discrepancies must be resolved before the shipper is allowed to process the parcels.
2. Postal employees would randomly select and sample parcels representative of the size and volume of the load. After sampling, the parcels would be returned to the containers of parcels to be manifested.
3. The shipper would manifest the parcels using an approved "returns manifesting" system and present the documentation to the Postal Service.
4. The previously performed sampling would then be verified against the manifest for accuracy. Any discrepancies would be corrected based on current postage adjustment procedures.
5. Once the manifest is approved or reconciled, the appropriate postage due would be recorded in the Permit System and charged against the Permit holder's CAPS account.
6. Finally, the shipper would be required to transmit an electronic file of the manifested parcels to the Product Tracking System.

VIII. DATA COLLECTION

All parcels shipped through this service would include a unique Parcel Return Services barcode. These barcodes would be scanned and the data collected via MDCD scanners, passive scanners in the BMCs, and electronic file transfer from the shipper or agent's returns manifesting system. This information would be aggregated and stored in a postal database where it would be used for monitoring and evaluating service during the test period. The information collected on each parcel would include:

- Unique Parcel Return Services barcode numerics
- Origin / Destination ZIP Code
- Rate category
- Weight / Zone (as possible)
- Event data by type, location, and date

As previously stated, this data would also be used for collecting volume and revenue information by location, shipper or agent, and by weight.

The Postal Service proposes to collect and report the following information to the Commission every six months as part of the ongoing data collection in compliance with the experimental rules:

- Volume
  - By RDU and RBMC
  - By weight and zone (as possible)
- Pickup frequency by facility type
- Number and types of facilities used as pickup locations
- Evaluation of whether the process flows match those used to estimate costs

No information identifying specific shippers would be reported.

IX. LIMITS ON THE EXPERIMENT

Based on experience with consolidators, the Postal Service believes there would be a limited number of parties choosing to participate in the Parcel Return Services experiment. However, the Postal Service proposes to place a limit on the number of participants to avoid any disruption to existing operations. The number of participants is proposed to be limited to twenty for the first year of the experiment and then allow an additional ten during the second year of the experiment.

The initial participants would be accepted based on receipt of their application and ability to meet the Parcel Return Services operational requirements. In the event that the Postal Service receives more than twenty applications, the remaining participants would be selected based on the following criteria in order to have a diverse group of participants:

- Size of network
- Projected volume
- Readiness for implementation
- Relative logistics experience

In addition to limitations on the number of participants, the Postal Service also proposes to restrict access for the Return Delivery Unit (RDU) option to "early bird" DDU entry offices (this currently includes all level 22 & above offices). The DDU early bird offices currently represent approximately 6,500 offices, which represent approximately 9,000 ZIP Codes.

X. IMPLEMENTATION

Parties interested in using the experimental service once implemented would be required to apply by completing an application form for the Parcel Return Services experiment available from their account manager or the Package Services program office. Upon receipt of the completed application, the Postal Service would send the participant specific instructions on how to get started. The information, at a minimum, would include:

- How to establish and pay for the required annual permit and accounting fee
- How to open a CAPS account
- Information on how to develop and receive approval for a "returns manifesting" system
- Parcel Return Services label design requirements
- Electronic file transfer requirements and certification process
- Requirements for picking up Parcel Return Services parcels from a Return Delivery Unit or Return Bulk Mail Center

XI. GOALS

The Parcel Return Services experiment is designed to collect data to determine actual volume, market acceptance, and gauge the operational efficiencies of these services. During the experiment, the Postal Service also would evaluate the internal system components used to support the services and would monitor the payment applications and processes to insure proper revenue is captured.

POSTAL RATE COMMISSION
DOCKET NO. MC2003-2
DECLARATION OF JOHN GULLO

I hereby declare, under penalty of perjury, that:

The Direct Testimony of John Gullo on Behalf of United States Postal Service, USPS-T-1, was prepared by me or under my direction;

if I were to give this testimony before the Commission orally today, it would be the same;

I also prepared the interrogatory responses which were filed under my signature and which have been designated for inclusion in the record of this docket;

and that if I were to respond to these interrogatories orally today, the responses would be the same.

John Gullo

Date: August 1, 2003

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-1. Your testimony at page 2, line 21, notes that worksharing allows the savings in transportation and mail processing costs from the parcel return service to be reflected in more favorable rates.

a. Please confirm that the postage for parcel returns is now normally paid by the consumer rather than the shipper but that with PSRS ("Parcel Select Return Services") the shipper will normally pay the postage. If you do not confirm, please explain.

b. Please describe any comments you have heard from shippers or consolidators expressing views about shippers or consolidators paying for return postage.

RESPONSE:

a. Not confirmed. Postage for parcel returns is now normally paid by either the consumer or the shipper. The actual postage costs are currently handled in a number of ways. Among the options are: (1) The merchant can supply a Merchandise Return label, pay the postage when the parcel is delivered, and bear the costs of the return. (2) The merchant can supply a Merchandise Return label, pay the postage when the parcel is delivered, and charge back the customer for the postage (and, at its discretion, some handling charge as well.) (3) The merchant can supply a return label and let the consumer pay the postage directly. (4) The merchant can simply provide a return address and leave it up to the consumer to prepare the label and pay for the postage.

Parcel Return Services simply provides the merchant another option. PRS is similar to Merchandise Return Service in that they both require payment of postage by the permit holder. As with Merchandise Return Service, the merchant may or may not, at its own discretion, charge back the consumer for the return postage and handling costs.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

b. We have received mixed views from merchants on postage payment for returned merchandise. Some have expressed interest in better managing their return process as well as making the process more convenient to increase customer loyalty and generate sales growth. Other merchants do not want to draw attention to returns and plan to maintain an inconspicuous return process of leaving it up to the consumer on how to return the merchandise. Parcel Return Service provides an additional option for those in the former category, while allowing those in the latter category to maintain their business model.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-2. *Please refer to page 3, line 17 of your testimony. You define the* RBMC ("Return Bulk Mail Center") as the center that services the ZIP Code where the returned parcel is entered into the mailstream.

a. Please confirm that a mailer may mail a return package from an area outside of the BMC service area to which the pre-addressed label is addressed.
b. Please confirm that if a parcel is mailed as described in part a, the parcel will be routed to the RBMC addressed rather than remain at the first BMC encountered.
c. Please confirm that shippers and consolidators will, in virtually all cases, not have arrangements to pick up parcels at each BMC but only at some designated RBMCs.
d. If you confirm part a, above, do you agree that the definition of RBMC should be revised to relate not to the ZIP Code where the returned parcel is "entered" but where the return parcel is "addressed."
e. Please confirm that the cost analysis does not include the cost of inter-BMC transportation and handling (both at the dock and for mail processing) that would be required to handle those packages that are returned from outside of the service area of the addressed RBMC.

RESPONSE:

a. Confirmed.

b. Confirmed.

c. Not confirmed. We expect there will be some participants who will either pick up returns themselves or make arrangements to have returns picked up at all bulk mail centers as well as other participants who will pick up parcels only from regional bulk mail centers.

d. Confirmed.

e. Redirected to witness Eggleston USPS-T-2.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-3. The following interrogatory refers to your testimony at page 4, lines 5 through 7. Assume that a consumer returns a parcel at an RDU that is not within the service area of the BMC that serves the RDU designated for the parcel's return.

a. Please describe fully the impact this "mis-entry" will have on the processing of the parcel.
b. If the parcel is returned to an RDU from several zones across the country from the one addressed, please describe the routing of the parcel to the appropriate RBMC.
c. How are the additional transportation and handling costs factored into the price of the assumed RDU addressed parcel?

RESPONSE:

a-b. The Postal Service expects few, if any, parcels to be returned to an RDU outside of the BMC that serves the RDU designated on the parcel label. To test this assumption, we plan to measure this activity using the passive scans collected on machinable parcels at the BMCs. Any parcel returned to an RDU outside of the designated RBMC service area would be transported to the BMC that serves the ZIP Code where the parcel was entered, and sorted to the RBMC identified by the label. At the RBMC, the return parcel would be sorted to the appropriate runoff and sorted to the shipper or consolidator identified by the mailer ID on the return label.

c. Redirected to witness Kiefer USPS-T-3.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-5. On page 5, line 12, of your testimony you indicate a unique ZIP Code would be assigned for sorting the parcels to specific runoffs during processing in the BMC.

a. Please explain whether assigning ZIP Codes for a specific mail processing operation is unique.
b. Are other unique ZIP Codes assigned to the BMCs for other purposes? Please explain.

RESPONSE:

a. For clarification, the unique ZIP Code would be assigned to the shipper or agent, not to a specific mail processing operation. I have been informed that we currently assign ZIP Codes to individual firms and then use separate bins, stackers, or run-outs within the sorting operation to capture the mail for that firm based on the ZIP Code. This practice is quite common for firms or entities receiving a large quantity of mail. This allows letters and flats for these firms to be segregated in the processing facility in order to minimize downstream handlings.

b. As stated in part (a), a unique ZIP Code can be assigned to facilitate the handling of high volume parcels destined for a specific customer, or a unique code can be established to segregate "accountable" mailings (i.e. Merchandise Return Service parcels), so that postage can be assessed and collected.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-6. The following interrogatory refers to your testimony at page 5, lines 18 through 23. You indicate that the Mailer ID would have one alpha character followed by numeric digits.

a. Is the Mailer ID alpha character case sensitive? In other words, does it recognize the difference between an upper case and lower case alpha character?
b. If your response to part a of this interrogatory is that the alpha character is not case sensitive, please explain how the Postal Service plans to extend this offering to more than 26 shippers as referenced in your testimony at page 16, lines 7 through 8.
c. If your response to part a of this interrogatory is that the alpha character is case sensitive, and assuming that the experiment is successful, is the USPS going to limit this offering to a maximum of 52 (26+26) shippers?
d. If your response to part c is that the maximum shippers will be 52, please explain how that limit was reached.
e. If your response to part c is that the maximum number of shippers can be greater than 52, please explain what steps will be taken to expand the alpha Mailer ID code beyond 52.

RESPONSE:

a. No.

b. If we receive more than 26 participants, we will use two alpha characters to increase the number of available unique Mailer IDs.

c. Although the alpha character is not case sensitive, the limit would not be 52. By using two alpha characters, we will be able to expand the number of available Mailer IDs from 26 to 702.

d. N/A.

e. Please see response to part (c) above.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-7. On page 6 of your testimony, you indicate that return parcels for multiple shippers would be commingled to a single BMC runoff.

a. Based on your knowledge of the shippers and consolidators interested in the return service, do you anticipate the experiment will provide the Postal Service experience in the commingling of parcels for several shippers?
b. Will this practice of commingling be new and unique in the BMCs?

RESPONSE:

a-b. Yes, the experiment will provide some operational experience in sorting commingled parcel returns using the assigned Mailer ID. However, commingling parcels is not new or unique in the BMCs. Based on volumes and availability of sorting bins or chutes, parcels may be commingled for multiple ZIP Codes for operational efficiencies.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-8. On page 7 of your testimony, you discuss scanning barcodes at RDUs. You indicate the scan will capture the Parcel Return Services code and the permit number on the parcels to generate a postage due manifest used to deduct postage from the shipper's account. Will the scan at the RDU also provide detail as to the location of the scan, i.e. at the RDU, and an identifying number for each parcel that could be used for tracking purposes?

RESPONSE:

The question misinterprets my testimony. To clarify, the scan will capture the Parcel Return Services (PRS) barcode, which contains information identifying the permit holder. The actual permit number is not included in the barcode. Yes, the (PRS) barcode scanned on the parcel will provide the date and time that the parcel is scanned as well as the ZIP Code of the post office where it is scanned. Also, the unique barcode number of the parcel will be captured and can be used for tracking purposes.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-9. The following interrogatory refers to your testimony at page 8, lines 5 through 7.

a. Given your statement that shippers are required to provide workspace for a postal employee to sample and verify returned parcels against a shipper created manifest, is the USPS restricting participants in this experiment to those shippers that currently participate in the USPS plant verification program?

b. If your response to part a of this interrogatory is not affirmative, then is the new parcel return program going to require that a postal employee go to each designated shipper's location to verify the shipper created manifest?

c. If your response to part b of this interrogatory is affirmative, where has the cost of the additional USPS employee time and the employee's transportation cost to and from the shipper been factored into the cost of offering the Parcel Select Return Service?

RESPONSE:

a. No.

b. Yes.

c. Redirected to witness Eggleston USPS-T-2.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-10. Please refer to page 8, line 9, of your testimony discussing RBMC returns.

a. Please explain the purpose of the returns manifesting system addendum to be developed for this program and whether it will be developed by the Postal Service or the shipper.
b. It appears that a returns manifesting system will not be required for RDU pickups but that the Postal Service will do the scanning and billing at the RDU. Why are returns to be handled differently at the two different types of locations?
c. If returns at certain RBMCs are very limited in number, why would it be cost effective for a postal employee to go to the shipper's location and sample returns?

RESPONSE:

a. USPS Publication 401 currently defines the requirements for developing a manifest mailing system. The referenced addendum will be developed by the Postal Service to identify additional criteria required to develop a returns manifesting system.

b. The RDU rate is a flat rate and does not require capture of the weight or zone information to calculate the rate, which is a primary purpose of manifesting. We plan to scan the parcels collected at an RDU to identify the volume of parcels collected for each permit holder and use the information to calculate the postage due.

c. Due to the costs involved in providing transportation, developing a returns manifesting system, and processing the returns, we do not expect shippers or agents to participate unless they have sufficient volume to justify those costs. Therefore, we expect the volume would be sufficient to justify a postal employee to sample returns.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-11. On page 8, line 16, you refer to an identification number on each piece that is returned through an RBMC. Is the identification number a barcode identification like those used for delivery confirmation? Please explain.

RESPONSE:

The identification number is the numeric representation of the Parcel Return Services barcode required on all PRS labels and is similar to those used for Delivery Confirmation.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-12. Please refer to your testimony at pages 8-9 where you state, "Finally, the shipper would be required to transmit an electronic file listing all of the parcels manifested to a Postal Service database." Also, under the heading "Parcel Tracking" on page 10, lines 11-12, you indicate the scanning information is available via USPS.com.

a. Will the same information be available in the Postal Service database and in USPS.com for both RDU and RBMC parcels? If not, please explain how it will differ and how the availability of information will be affected.
b. Would the information collected be sufficient to provide delivery *confirmation service for the returned packages?*
c. Is the information scanned at the RDU and the RBMCs all of the information that would be needed to provide delivery confirmation for these returned packages? If not, what other information would be needed?
d. Is the data scanned into the same data base that is used for delivery confirmation? If not, please discuss the software and hardware equipment that may be needed to integrate the return service data into the delivery confirmation data.

RESPONSE:

a. The information available for RDU and RBMC is similar. The scanning of the RDU parcel barcodes will provide information when they are available for pick up at the RDU office and when they are picked up by the shipper or agent. The scanning of the RBMC parcel barcodes will provide in-transit information when processed on the parcel sorting machine in the BMC and information when they are picked up by the shipper or agent.

b. The information collected will provide confirmation of when the parcel was picked up by the shipper or agent.

c. While Delivery Confirmation provides delivery status of an individual parcel, the information collected for Parcel Return Services provides confirmation on when the parcel is picked up by the shipper or agent. Since, in many cases, the parcel will be

picked up by an agent of the merchant or shipper, we are not able to confirm when the agent will deliver the parcel back to the merchant or shipper.

d. Yes.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-13. In witness Wittnebel's testimony at page 2, he states that consumers typically call the retailer's customer service representatives one or more times to confirm the status of returned packages and the anticipated merchandise credit.... Handling these multiple customer calls is expensive.

a. Given the expense of handling multiple customer calls, did you or others at the Postal Service discuss the option of offering delivery confirmation with parcel return service, either included "free" with the service, or as a service that the customer would pay for separately? If so, please explain why it was decided not to include delivery confirmation with the delivery service.
b. Does the Postal Service plan to include a "free" Delivery Confirmation label for consumers returning merchandise in the future? If not, please fully explain why not. If so, please elaborate on when "free" Delivery Confirmation will be available.

RESPONSE:

a. The consumer will be able to obtain, at www.usps.com, delivery information gathered as part of Parcel Return Services. During the development of this product, we discussed the option of offering Delivery Confirmation for this service. However, as stated in in response to OCA/USPS-T1-12, since Parcel Return Services includes confirmation of when the return is picked up by the shipper or agent, it would be unfair to charge the customer for information already provided as part of the service.

b. When returning parcels, consumers who do not have the option to use PRS can currently receive "free" Delivery Confirmation by using the Click-N-Ship™ label printing feature on www.usps.com. This feature allows customers to print labels with or without postage and can be used for shipping to friends, families, for business, or to return merchandise.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-14. On page 9 of your testimony you note the MDCDs would record sampling information on parcels received at a Postal Office. What information will be recorded and how will it be used for sampling?

RESPONSE:

The MDCDs include a process for sampling return parcels to capture the post office ZIP Code, date and time sampled, and weight of parcel. Since the RDU parcels are charged a flat rate, this process will be used to sample the weight distribution for these parcels.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-15. On page 9 of your testimony, you describe the Product Tracking System (PTS) that is used to store acceptance and delivery information on Postal Service products and services.

a. Is this tracking system also used for delivery confirmation or any other Postal Service information retrieval service such as Confirm?
b. Please list separately all special services and subclasses (or mail categories) tracked by PTS.

RESPONSE:

a-b. PTS stores information for the special services and classes of mail listed below.

Confirm information is not stored in PTS.

Special Services:

Delivery Confirmation, Signature Confirmation, Registered, Insured, Collect On Delivery (COD), Certified, Merchandise Return, Return Receipt for Merchandise.

Classes and Sub-Classes of Mail (regardless if combined with special services):

Express Mail (Domestic), Global Express Mail (International), Global Express Guaranteed.

Classes and Sub-Classes of Mail (when combined with special services listed above):

Priority Mail, First-Class Mail, Standard Mail, Package Services sub-classes Media Mail, Bound Printed Matter, Parcel Post (including Parcel Select), and Library Mail.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-16. On page 10 of your testimony, you indicate that scanning information and electronic data submitted by the shipper will be accessible via USPS.com.

a. How soon after transmittal from the shipper will the electronic data be available on USPS.com?
b. Will the data on USPS.com be available to the consumer to track whether the package is available for shipper or consolidator pickup and whether delivery has occurred? Please explain.
c. Your testimony refers only to data submitted by the shipper as being available on USPS.com. Will the data scanned by the MDCDs (handheld scanning devices in the field) also be available on USPS.com? If so, how soon after scanning will it be available?
d. Because you state on page 13 of your testimony that non-machinable parcels addressed to an RDU or RBMC will be visibly identified and manually sorted, are your responses to parts a through c, above, any different with regard to non-machinable or oversized parcels?

RESPONSE:

a. I have been informed that under normal circumstances, the file is processed by the Product Tracking System and available on usps.com within approximately 2 hours.

b. Yes, the consumer will be able to track whether the package is available or has been picked up by the shipper or consolidator consistent with the information described in OCA/USPS-T1-12(a).

c. The data scanned by the MDCDs will be available on usps.com. I have been informed that the data are generally available within 1 hour from when the data are transmitted to the Product Tracking System.

d. No.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-17. On page 15 of your testimony you indicate that "each parcel" would have several pieces of listed information collected.

a. Will non-machinable packages and oversized packages be tracked to the same extent as machinable packages? Please explain.
b. Will an electronic record of the non-machinable and the oversize parcels be compiled at both the RDUs and the RBMCs? Please explain.

RESPONSE:

a. This statement is true for parcels picked up at an RDU. At an RBMC, only machinable parcels will receive the passive in-transit scan during processing on the parcel sorting machine.

b. At the RDU, information about the machinability of a return piece will not be recorded. Oversize pieces will be scanned and recorded in the Product Tracking System. For RBMC parcels, the shipper or agent will be required to identify both non-machinable and oversize parcels in the electronic manifest they transmit.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-18. Will the specially designed mailing labels for return service discussed on page 11, line 19, of your testimony include instructions to the consumers that the parcel may be given to their carrier and even deposited in a collection box although it may weigh more than the normally allowed weight for collection boxes? If not, please explain why not.

RESPONSE:

The Postal Service is in the process of developing the requirements language for the Domestic Mail Manual. Similar to merchandise return service, instructions required to be included with the label are expected to be included.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-19. In the cost analysis, the manifest sampling involved 1.5 percent of the mailpieces. Does the Postal Service intend to sample 1.5 percent of the mailpeices for postage verification during actual operations? Please explain.

RESPONSE:

The sampling process (as described on page 14, lines 9-11 in USPS-T-1) for parcels received at a BMC is performed at the shipper's or agent's processing facility. Further, it is my understanding that the 1.5 percent referred to in this interrogatory is derived from comparing actual survey data to the "sampling procedures" shown in the table entitled "US Sample Size by Volume Range" (USPS-T-2, Attachment G, page 2). It is my further understanding that the Postal Service intends to use the sampling relationships shown in this table to determine the number of pieces sampled for postage verification during the experiment. Since the sample size percent is not constant over all volumes, the actual percent of pieces sampled is impossible to predict with complete certainty.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-20. On page 16, line 3, of your testimony, you refer to "experience with consolidators" as the basis for believing there would be a limited number of parties participating in the experiment.

a. Please elaborate on the basis of the experience and indicate whether it included formal discussions, a focus group, meetings, or word of mouth.
b. What information concerning the service did the consolidators provide to indicate interest in the return service?

RESPONSE:

a. The Postal Service has developed working relationships with the consolidators through such forums as consolidator industry meetings, product redesign meetings, national postal forums, Parcel Shipping Association (PSA) meetings, and Mailers' Technical Advisory Committee (MTAC) meetings. Additionally, there have been informal meetings with consolidators to tour many of their facilities and discuss operational and technical issues to improve efficiencies.

b. The Postal Service has received verbal expressions of interest, and, in a few instances, rough estimates of volume consolidators believe they could capture with this type of service.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-21. Based on your knowledge of the shippers or consolidators interested in this return service, what are the expectations regarding the number of delivery RDUs and BMCs that each participant will use for pick up?

RESPONSE:

Specific interest in RDU option is unclear based on our current knowledge. The number of BMCs will vary by participant from a few BMCs for regional consolidation to all BMCs.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-22. You state on page 16 of your testimony that the Postal Service intends to restrict access for the RDU option to "early bird" DDU entry offices. Is it intended that the restriction will apply only during the experiment? Please explain.

RESPONSE:

This will be determined based on our learning and experience during the experiment.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-24. At page 5 of your testimony, you state that all labels addressed to an RDU would be required to contain the 9-digit ZIP Code of the post office where the parcels would be picked up. Additionally, the RDU parcel labels would have to contain a postal routing barcode assigned to the unique ZIP Code of the origin BMC.

a. Is it thus correct that each RDU parcel would contain two ZIP Codes for the delivery of the parcel?
b. If not, please explain.
c. Is there any operational complication posed by having two delivery ZIP Codes for a given parcel? Please explain.

RESPONSE:

a-b. Confirmed.

c. The second ZIP Code on labels addressed to an RDU is a human-readable element of the postal routing barcode. For parcels received at the RDU office identified in the label address, the parcel would be sorted by the Mailer ID and held for pick up by the shipper or agent. RDU parcels that bypass the RDU office, or are received at a post office other than the one identified by the label address, are transported to the BMC that serves the ZIP Code where the parcel is entered. In the BMC, the postal routing barcode is scanned by the parcel sorting machine to sort the parcel to the appropriate chute or runoff. BMC personnel will be trained to sort all parcels containing a Parcel Return Services label to the run-out where the machinable parcels will be sorted. Once the parcels are transported to the designated processing area, the Mailer ID would be used to finalize the sortation to the appropriate shipper or agent for pick up.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-25. Please refer to your testimony at page 6, lines 17 – 21. Is the origin BMC of the consumer's address the same as the RBMC? Please explain.

RESPONSE:

Yes. Both the origin BMC and RBMC refer to the BMC that services the ZIP Code of the consumer's address. In both cases, they refer to the BMC that would initially process the parcel.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-26. Please refer to the manifesting and payment system described at page 7, lines 19 – 23, of your testimony.

a. Do all of these activities take place at the shipper's plant, as described at pages 8 -9?
b. Do any of the manifesting and payment activities take place at the return facility?
c. Please explain your answers to parts a and b. Reconcile the location of the manifesting and payment activities, if necessary.

RESPONSE:

a-c. The manifesting and payment activities described at page 7, lines 19 – 23 discuss the process for parcels picked up at an RDU. The scans from these parcels would be transmitted to the Product Tracking System database and used to generate a daily payment manifest. On a daily basis, this payment manifest would be used by the post office where the permit is held to deduct the appropriate postage from the permit holder's Centralized Account Processing System (CAPS) account. The manifesting and payment described on pages 8 – 9 describe the activities performed for parcels picked up at an RBMC. The parcels would be manifested at the shipper's or agent's facility where the shipper or agent would calculate the postage due for the parcels. The manifest would be verified by a postal employee at the shipper's or agent's facility and used to deduct the appropriate postage from its CAPS account at the servicing post office.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-27. Please refer to your testimony at page 9, lines 16 – 18.
a. Will sampling information be collected for every returned RDU parcel?
b. Please list individually all items of information that will be collected, preserved, and reported to the Commission during the course of the experiment.
c. Identify those items of information that are generated by the scanning of the barcode; and separately identify those items of information that are generated by other means. Specify the other means, if any.

RESPONSE:

a. No. We will use this process to collect random sampling information on parcels picked up at RDUs.

b. As stated in my testimony, USPS-T-1, page 15, lines 18 – 22, the Postal Service proposes to collect and report the following information to the Commission every six months as part of the ongoing data collection in compliance with the experimental rules:

- Volume
  - By RDU and RBMC
  - By weight and zone (as possible)
- Pickup frequency by facility type
- Number and types of facilities used as pickup locations

c. The following information is generated from scanning the barcode within Postal Service:

- Barcode number
- Type of scan event ("available for pick up" or "picked up by agent" for RDU parcels and "enroute" for RBMC parcels)
- Date & time of scan event

- ZIP Code of facility where scan is generated

Additionally, the following information is collected by the shipper or agent and included in the manifest file it transmits to the Postal Service:

- Date & time parcels are manifested
- Barcode number of parcel
- ZIP Code of facility where parcel was picked up
- Origin ZIP Code of parcel
- Rate category
- Weight
- Zone
- Postage

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-28. Please refer to your testimony at page 10, lines 2 – 3, and page 13, lines 8 –10.

a. What information is generated by BMC passive scanners? Please describe fully.
b. Do BMC passive scanners function similarly to Mobile Data Collection Devices? Please explain.
c. Are BMC passive scanners part of the Product Tracking System? Please explain.

RESPONSE:

a. The following information is generated from the information collected by the BMC scanners:

   - Barcode number of parcel
   - Enroute scan event
   - Date & time of scan event
   - ZIP Code of facility where scan is generated

b. They function similarly in that when a parcel barcode is scanned, the scan details are transmitted to the Postal Service Product Tracking System. In contrast, the Mobile Data Collection Devices require a person to manually scan the barcode where the BMC passive scanners are fixed equipment and automatically scan the barcodes on parcels as they pass under them.

c. The BMC scanners are not part of the Product Tracking System. They are a system component of the parcel sorting machines in the BMCs. The scanners are programmed to read postal routing barcodes for sorting purposes and collect confirmation services barcode information which is subsequently passed to the Product Tracking System.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-29. Please refer to USPS-T-1 at 10, lines 16–17. List each of the individual items of information that will be captured as "scan data."

RESPONSE:

This information can be found in the response to OCA/USPS-T1-27(c).

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-30. Please refer to USPS-T-1 at 10, lines 17 – 18. List each of the individual items of data that will be submitted by the shipper and collected in PTS.

RESPONSE:

This information can be found in the response to OCA/USPS-T1-27(c).

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-31. Please confirm that shippers who send merchandise using carriers other than the Postal Service, e.g., United Parcel Service or Fedex, will be able to offer Parcel Return Service to their customers. If so, please confirm that RDU parcel labels would not have a parcel routing barcode assigned to the unique ZIP code of the origin BMC because there would not be an origin BMC. If you cannot confirm these statements, please explain.

RESPONSE:

There is no restriction on participation for other carriers. As stated in USPS-T-1, page 6, lines 19 – 21, all parcels, including those addressed to an RDU, are required to include a postal routing barcode for the origin or RBMC. The origin BMC for this service refers to the BMC responsible for servicing the ZIP Code of the consumer returning the parcel.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-32. Please refer to page 12, lines 5 – 6, and page 13, lines 21 – 22. Is it correct that a Postal Service employee will load PRS parcels onto the shipper's truck? If not, please explain.

RESPONSE:

This process for loading parcels into the shipper's truck is different at an RDU from the process at an RBMC. Parcels picked up at an RDU would be moved to a loading area where they would be scanned by a postal employee and handed off to the shipper's or agent's driver to load onto its truck. Parcels picked up at an RBMC would be containerized (into pallet boxes) and require BMC personnel to use a forklift to perform loading activities.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-33. Please reconcile your statement at page 12, lines 11 – 12, "At a minimum, participating shippers or agents would be required to pick up once a week from each post office where they receive returns;" with your statement at page 13, lines 17 – 19, "Shippers would be required to pick up Parcel Return Services parcels on a regular schedule, every two days at a minimum . . . ."

a. Which of these statements is correct?
b. Are the pick up requirements different for RDU PRS and RBMC PRS? Please explain.

RESPONSE:

a-b. Both statements are correct. Page 12 refers to RDU and page 13 refers to RBMC. Also, as stated on page 12, lines 16 – 18, the shipper may be required to pick up more frequently at an RDU based on the size of the return parcels and post office space constraints.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-34. Please explain what the expression "early bird" office means? Why is it necessary to limit RDU to early bird DDU offices?

RESPONSE:

The expression "early bird" office is a term used to describe post office delivery units that offer extended acceptance hours in the morning for destination delivery unit mailings. The proposed limit to the RDU offices included in the experiment would allow the Postal Service to better manage and evaluate the operating procedures developed for this service. In general, the "early bird" offices represent approximately 6,500 of our largest offices and typically include space and resources that can be used to support the experiment.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-35. Please provide a sample (or prototype) RDU label.

RESPONSE:

The attached image is a prototype of a Parcel Select Return Service RDU label.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-36. Please provide a sample (or prototype) RBMC label.

RESPONSE:

The attached image is a prototype of a Parcel Select Return Service RBMC label.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-37. Please refer to the testimony of witness Eggleston, USPS-T-3 at page 8, lines13 –18.

a. Please explain the rationale for making two active scans on RDU parcels, but making no active scans on non-machinable RBMC parcels.
b. How many passive scans are machinable RBMC parcels likely to receive?
c. Please explain what use the Postal Service, shippers, and/or consumers will make of scanned information.

RESPONSE:

a. The rationale for making two active scans on RDU parcels is based on the rate structure and operational differences between the RDU and RBMC service. The RDU volumes available at individual offices are expected to be sparse, and based on a weekly pick up requirement, shippers or agents need a notification mechanism to alert them of available parcels. This information will come from the scans performed at the RDU and will be communicated to the shippers or agents through an electronic file made available three times daily. This information would also be used to generate the payment manifest for the shipper or agent. The RBMC volumes are expected to be more substantial and require the shipper or agent to pick up parcels every 48 hours. This negates the need for identifying the availability of parcels at the RBMC. Additionally, the shipper or agent is responsible for manifesting the parcels for payment eliminating the need to scan each individual parcel for this purpose.

b. I have been informed that an RBMC machinable parcel would receive 1 – 2 passive scans based on whether the parcel is sorted to the returns run-out on the primary or secondary parcel sorting machine.

c. As described on page 15 of my testimony, USPS-T-1, the data collected from these parcels would be used by the Postal Service for evaluating the experiment,

payment manifesting, and to develop reports to be provided to the Postal Rate Commission during the experiment. It is my understanding that shippers will use the information for customer service and accountability for the returns. Additionally, we would make the information available to consumers to track the status of their returns.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-38. You explain in your testimony at pages 3-4 that shippers or agents using Parcel Return Services will be responsible for creating return labels for returning parcels.

a. Please confirm that the return labels will be provided to the consumer when the product is shipped. In not, please explain.
b. Please confirm that the Postal Service does not intend to require a return label to be used for a return within a certain period of time.
c. Please explain how the Postal Service will handle the storage and delivery of RDU parcels returned to the RDU after the shipper has terminated regular deliveries or pickups at the RDU addressed.
d. Please explain how the Postal Service will handle accounting and collecting for postage for return parcels addressed to RDUs received after the shipper's annual accounting and permit fees have expired and the shipper no longer maintains a Centralized Account Processing System (CAPS) account.
e. Please explain how the Postal Service will handle the storage and delivery of RBMC parcels returned to the RBMC after the shipper has terminated regular deliveries or pickups at the RBMC addressed.
f. Please explain how the Postal Service will handle accounting and collecting for postage for return parcels addressed to RBMCs received after the shipper's annual accounting and permit fees have expired and the shipper no longer maintains a Centralized Account Processing System (CAPS) account.

RESPONSE:

a. The labels may be provided to the consumer in a variety of ways. They may be included with the shipment, mailed to the consumer upon request, or in some instances downloaded and printed from the Internet.

b. Confirmed.

c-f. Each participant would be required to provide the Postal Service with a list of their clients and how to identify them by the Mailer ID on the Parcel return Services label. In the event that a participant terminates pickup of return parcels addressed to them and/or their annual accounting and permit fees have expired and/or the shipper no longer maintains a Centralized Account Processing System (CAPS) account, the Postal Service will make every effort to reship the parcels to the customer identified by the label. The customer will be charged the

appropriate Parcel Post or Bound Printed Matter rate based on the weight and zone calculation.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-39. Your testimony at page 7, lines 15-16, indicates RDU return parcels will be captured at the post office identified on the return label.

a. Please explain in more detail how the return parcels entered into collection boxes within the area of the RDU addressed will be culled from the mailstream at the RDU.
b. Will the Postal Service reserve the right to approve or reject the use of a specific delivery unit for RDU service?
c. Will the Postal Service be notified of all delivery units and BMCs for which return address labels have been distributed?
d. Please indicate whether, at those RDUs with outstanding return labels, an additional mail processing step will be required to manually identify each RDU return piece among the incoming parcel and flat collection mail.
e. Please indicate whether, currently at delivery units, all collection parcel and flat address labels are manually reviewed for any purpose.
f. Please indicate whether the cost of reviewing each incoming piece of parcel and flat collection mail to locate each RDU piece from among the collection mail is included in the cost analysis for Parcel Return Services.

RESPONSE:

a. Consistent with existing practice, parcels placed into a collection box will not be culled from the mailstream. In general, the only consistent form of culling during collection is by mail processing category. The address labels are not manually reviewed unless required for determining the processing category of the parcels.

b. Yes.

c. Participants will be required to provide the Postal Service with a list of all RDU and RBMC locations where they plan to pick up parcels.

d. As stated in part (a) of this response, collection box mail would not be culled and therefore would not require an additional mail processing step.

e. As stated in part (a), the only consistent form of culling during collection is by mail processing category. The address labels are not manually reviewed unless required for determining the processing category of the parcels.

f. Redirected to witness Eggleston USPS-T-2.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-40. At the end of your response to OCA/USPS-T1-27, part c, you refer to eight items of information that will be collected by the shipper or agent and included in the manifest file transmitted to the Postal Service. Please specifically identify which of the eight items listed will be available for electronic viewing, on the Postal Service's web site, by those customers placing an RBMC or RDU parcel into the USPS mail stream. Also, if any of the eight items will not be available for electronic viewing by a customer, please explain why each will not be available.

RESPONSE:

The information transmitted to the Postal Service by the shipper or agent would allow the customer to enter the barcode number on the Postal Service's web site to view the date and time when the parcel was manifested, and the ZIP Code of the RBMC where the parcel was picked up. The origin ZIP Code of the parcel, rate category, weight, zone, and postage information is specifically used to calculate and support payment of postage and would only be available to permit holder responsible for the payment.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-41. Your testimony at page 7, lines 15-16, indicates RDU return parcels will be captured at the post office identified on the return label. Also, at page 12, line 1, you state, "If the parcel is received by the RDU post office addressed on the label, the office would scan the parcel...sort the parcel based on the human readable Mailer ID code...."

a. Please explain what actions are taken to ensure that RDU return parcels, entered into the mailstream by giving it to a carrier within the area of the RDU addressed, will be culled from the mailstream at the RDU.
b. Please explain what actions are taken to ensure that RDU return parcels, entered into the mailstream through a window transaction within the area of the RDU addressed, will be culled from the mailstream at the RDU.

RESPONSE:

a-b. As part of our implementation plan, service talks would be developed and given to delivery employees and sales and service associates who are responsible for window transactions.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-42. Please refer to your response to OCA/USPS-T1-13b.

a. Please confirm that the Click-N-Ship™ label printing feature on www.usps.com is only available to users of Priority and Express Mail (and certain international mail). If you do not confirm, please explain.

b. Please confirm that Click-N-Ship label is not available for parcel post. If you do not confirm, please explain.

c. Does the Postal Service have any plans to include shipping labels for parcel post, with or without the Parcel Return Service, in the Click-N-Ship™ print feature? If not, please explain.

RESPONSE:

a. Confirmed.

b. Confirmed.

c. No. The Click-N-Ship™ label printing feature was designed for customers looking for speed, convenience, and visibility for their premium package and document shipments.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-43. Your testimony indicates machinable return service parcels will be scanned during mail processing at RDUs and at BMCs. Please confirm that for purposes of gathering information on the volumes, costs, and service provided to Parcel Return Service customers, the Postal Service can, or could with minor software programming adjustments, compare the Parcel Return Service address label with the locations where the parcel was tracked to determine the following information during the experimental phase of parcel return service:

a. The number of machinable parcels addressed to an RDU but which are delivered to the shipper/consolidator at a BMC and for which the RBMC rate is charged. If you cannot confirm, please explain.

b. The number of machinable parcels addressed to an RBMC (or RDU) which travel inter-BMC as determined by the number of parcels scanned at two or more BMCs. If you cannot confirm, please explain.

RESPONSE:

a. Confirmed.

b. Travel through more than one BMC for an individual parcel would be identifiable only if the barcode on the parcel were scanned during processing on the parcel sorting machine.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-44. Your testimony indicates non-machinable return service parcels will be scanned during mail processing at RDUs or electronic manifests of such pieces will be produced by the shipper at its location for RDU pieces not captured at the RDU . Please confirm that for purposes of gathering information on the volumes, costs incurred and the service provided to Parcel Return Service customers, the Postal Service can, or could with minor software programming adjustments, compare the Parcel Return Service address label with the locations where the parcel was scanned or manifested to determine the following information during the experimental phase of parcel return service: the number of non-machinable parcels addressed to an RDU but which are delivered to the shipper/consolidator at a BMC and for which the RBMC rate is charged. If you cannot confirm, please explain. Please also state whether or not there is a readily available method for determining the number of non-machinable parcels addressed to an RDU (or RBMC) which travel inter-BMC.

RESPONSE:

The number of non-machinable parcels addressed to an RDU, but delivered to the shipper/consolidator at a BMC and for which the RBMC rate would be charged, could be identified through information contained in the manifest received from the shipper/consolidator. There would not be a readily available method for determining the number of non-machinable parcels addressed to an RDU (or RBMC) that travel inter-BMC.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-45. Your testimony indicates oversized return service parcels will be scanned during mail processing at RDUs or electronic manifests of such pieces will be produced by the shipper at its location for RDU pieces not captured at the RDU . Please confirm that for purposes of gathering information on the volumes, costs incurred and the service provided to Parcel Return Service customers, the Postal Service can, or could with minor software programming adjustments, compare the Parcel Return Service address label with the locations where the parcel was scanned or manifested to determine the following information during the experimental phase of parcel return service: the number of oversized parcels addressed to an RDU but which are delivered to the shipper/consolidator at a BMC and for which the RBMC rate is charged. If you cannot confirm, please explain. Please also state whether or not there is a readily available method for determining the number of oversized parcels addressed to an RDU (or RBMC) which travel inter-BMC.

RESPONSE:

The number of oversized parcels addressed to an RDU, but delivered to the shipper/consolidator at a BMC and for which the RBMC rate would be charged, could be identified through information contained in the manifest received from the shipper/consolidator. There would not be a readily available method for determining the number of oversized parcels addressed to an RDU (or RBMC) that travel inter-BMC.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
REDIRECTED FROM WITNESS EGGLESTON

OCA/USPS-T2-8. Please refer to your testimony at page 5, lines 7- 8, "the RBMC machinable parcels will be sorted to shipper."

a. Please confirm that this is a manual sortation.
b. Please describe where in a BMC this sortation will take place.
c. Is any special equipment needed to make this sort? If yes, please describe the equipment that will be used.

RESPONSE:

a. Mechanization would be used to move the parcel to a specific chute or "run-out" where a manual process would be incorporated to finalize sortation to individual shippers. However, mechanization may finalize the sort to a unique "run-out" should a shipper or agent's volume exceed manual processing efficencies.

b. I have been informed that the specific locations for each BMC would be identified to maximize efficiencies and reduce handlings from the primary or secondary sorting equipment to the manual distribution "tables" where the actual shipper or agent sorts are made.

c. No special equipment would be necessary.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
REDIRECTED FROM WITNESS EGGLESTON

OCA/USPS-T2-10. Is it correct that postal employees are responsible for loading RBMC parcels onto shippers' trucks at BMCs (page 5, lines 7 – 12), but are not responsible for loading RDU parcels onto shippers' trucks at area offices (page 5, lines 21 – 22)?

a. If so, why is a distinction made between BMC operations and AO operations? Do the responsibilities of different craft positions have any bearing on such a difference? Please explain.

RESPONSE:

Yes.

a. RBMC parcels will be containerized (into pallet boxes) and BMC personnel are required to perform loading and unloading activity when the use of a forklift is required. For parcels picked up at an RDU, the shipper or agent is responsible for loading parcels consistent with existing standards that require mailer/shipper unloading for destination delivery unit Parcel Select mailings.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
REDIRECTED FROM WITNESS EGGLESTON

OCA/USPS-T2-11. Please refer to your testimony at page 5, lines 29 – 30.

a. How was the determination made that RBMC parcels must be picked up every 2 days, while RDU parcels must be picked up every 5 days?

b. Is lack of storage space a greater problem at BMCs than AOs? Please discuss. Is there an underlying assumption that BMCs are visited more often by a shipper than AOs? Please discuss.

RESPONSE:

a. Through discussions with the functional areas responsible for operational procedures in these facilities, these minimum pick up requirements were identified to avoid disruptions to their normal operations. Further, as stated in my testimony at USPS-T-1, page 12, lines 16 – 18, for pick ups at AOs, the shipper might be required to pick up parcels more frequently based on the size of the return parcels and post office space constraints.

b. Space is a concern at all facilities, regardless of whether it is a BMC or an AO. Because of the seasonality of the mailing and shipping industry, it is impossible to gauge the impact storage would have prior to the experiment. In response to your question on the frequency of visits to a BMC, it is my understanding that most consolidators or shippers visit BMCs for the areas they serve on a regular basis. This is primarily to enter parcels for ZIP Codes that do not generate sufficient volume to support transportation to those delivery units.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO QUESTIONS POSED AT PRE-HEARING CONFERENCE

Chairman Omas asked, with respect to "ancillary services such as delivery confirr certified, certificates of mailing, or insurance," for "an explanation of why mailers v be allowed to purchase such services during the experiment and whether the Pos Service expects to test the feasibility of extending the options of purchasing such ancillary services in the future." Tr. 1/9-10.

RESPONSE:

While designing Parcel Return Services, the Postal Service evaluated the need for and practicality of including special services. The following factors were considered in concluding not to allow special services, at least during the experir

The Parcel Return Services experiment was designed to provide a simple cost means of package returns. By their very nature and design, the proposed P Return Services are intended to minimize processing and transportation costs. V such limitations, postal insurance could cover damage or loss in transportation a processing only through the return bulk mail center (for RBMC) or in the return d unit (for RDU). The minimization of processing and transportation, and consequ limit on the number of facilities involved, serve to restrain the potential for damag loss. The potential for damage or loss associated with processing after returned leave the postal network would not be covered by postal insurance, meaning tha greater portion of overall risk is borne by non-postal parties. This balance of ove is different from other situations in which customers avail themselves of postal insurance, which could mean that it would be overpriced for this product. The d not to offer postal insurance can be revisited if damage or loss becomes an issu the course of the experiment.

An additional factor militating against including ancillary services is that tl could result in inconvenience to the customer and additional cost if a window transaction were required. Furthermore, the bulk nature of Parcel Return Servic would make the addition of ancillary services requiring special attention to a par piece, such as Certified Mail or insurance, to be especially costly. Additionally, understanding that a very negligible amount of outbound destination entry volur includes postal insurance and it is therefore fair to assume that permit holders v likewise not be inclined to include it as part of the return process.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GULLO
TO QUESTIONS POSED AT PRE-HEARING CONFERENCE

Commissioner Goldway asked whether the data collected and reported during the experiment would be broken out between Parcel Select and Bound Printed Matter. TR. 1/11.

RESPONSE:

Yes. The information will be provided separately for Parcel Select and for Bound Printed Matter.

United States Postal Service

Jennifer L. Eggleston
(USPS-T-2)

USPS-T-2

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

EXPERIMENTAL PARCEL RETURN SERVICES

Docket No. MC2003-2

DIRECT TESTIMONY
OF
JENNIFER EGGLESTON
ON BEHALF OF
UNITED STATES POSTAL SERVICE

TABLE OF CONTENTS

Direct Testimony
of
Witness Eggleston

AUTOBIOGRAPHICAL SKETCH

My name is Jennifer Eggleston. I am an Economist for the Special Studies Division of Corporate Financial Planning. I joined the Postal Service as an Economist in July 1997. Since joining the Postal Service, I have been involved with many issues dealing with Package Services and Standard parcels. I have visited several Bulk Mail Centers (BMCs), Processing and Distribution Centers (P&DCs), delivery units, and other postal facilities.

In Docket No. R2001-1, I filed cost testimony supporting Parcel Post, Bound Printed Matter, Media Mail, Bulk Parcel Return Service (BPRS), and final adjustments. In Docket No. R2000-1, I testified before the Postal Rate Commission concerning Parcel Post, Media Mail, BPRS, and Merchandise Return Service. In addition, I supplied rebuttal testimony for Parcel Post final adjustments and the Transportation Cost System (TRACS). Other previous work includes the BPRS Cost Study provided to the Postal Rate Commission in October 1998 to fulfill the requirements of Docket No. MC97-4 and testimony in Docket No. MC99-4 (BPRS Expedited Minor Classification Case).

Before joining the Postal Service, I worked as an Economist for Research Triangle Institute (RTI), a non-profit research firm in North Carolina. I also worked for one year for the Naval Center for Cost Analysis in Crystal City, VA. I earned a Bachelor's Degree in Economics from James Madison University in 1992 and a Master's degree in Economics from North Carolina State University in 1995.

I. PURPOSE OF TESTIMONY

The purpose of my testimony is to provide witness Kiefer (USPS-T-3) with cost data to support the Parcel Return Services (PRS) rates. Specifically, my testimony will provide cost difference estimates for the two Parcel Select Return Service (PSRS) products: Parcel Select Return Bulk Mail Center (RBMC) and Parcel Select Return Delivery Unit (RDU). Therefore, the remainder of this testimony will only refer to the Parcel Select Return Services (PSRS) product and not the more general Parcel Return Services (PRS) product.

II. MATERIALS RELATING TO THIS TESTIMONY

The following attachments relate to this testimony:

Attachment A: Cost Summary
Attachment B: Acceptance Cost Estimates
Attachment C: Mail Processing Cost Estimates
Attachment D: Storage Cost Estimates
Attachment E: Transportation Cost Estimates
Attachment F: Scanning Cost Estimates
Attachment G: Postage Due Cost Estimates
Attachment H: Postage Due Survey Data

In addition this testimony relies on data previously submitted to the Postal Rate Commission. These data are referenced, as necessary, in this testimony and the cost models contained in the attachments.

III. PARCEL SELECT RETURN SERVICE (PSRS) COST METHODOLOGY

For purposes of this testimony, costs are separated into six cost categories:

A. Acceptance Costs
B. Mail Processing Costs
C. Storage Costs

D. Transportation Costs

E. Scanning Costs

F. Postage Due Costs

The cost analysis presented in this testimony employs a cost difference approach. In other words, instead of estimating the average unit cost of the proposed products, the analysis estimates the average cost difference between the proposed products and an existing product used as the benchmark. Therefore, for each cost category, this analysis estimates the average unit cost difference between the Parcel Select Return Services (PSRS) and the relevant benchmark, Intra-BMC Parcel Post.[1] In some cases, these cost differences are estimated separately for RBMC and RDU, as well as for machinable, non-machinable and oversize parcels. In other cases, only one cost difference is estimated. The methodology used for each cost category is described in more detail below.

A. Acceptance Costs

For the purpose of this testimony, acceptance costs refer to the costs associated with entering the parcel into the mailstream. As discussed by witness Gullo, PSRS parcels may be given to the carrier, placed into a collection box, or accepted over the window (USPS-T-1, Section VII).[2] However, the number of parcels that are entered into a collection box is limited to parcels that fit into the opening of the blue box.[3] In addition, since customers want to ensure that they receive credit for the returned mail piece, it is unlikely that a large number of customers will leave a PSRS parcel for their carrier. Therefore, for the purpose of this cost model, only window service costs are examined.[4]

[1] The benchmark for RDU is specifically local zone Intra-BMC Parcel Post. However, the only cost category that makes a distinction between local zone Intra-BMC and non-local zone Intra-BMC is transportation. This is consistent with the cost data used to support Parcel Post rates.
[2] The other option is for customers to schedule a pick-up. Since this method involves paying a pick-up fee, the costs associated with this option do not need to be included in the PSRS product.
[3] Since PSRS parcels will have a return label on them, they are considered to have originated from a "known" shipper and therefore are not limited to the "under 1 pound" rule.
[4] Since Intra-BMC parcels could also be entered by placing the parcel in a collection box or giving the parcel to a carrier, the implicit assumption in this cost model is that the percent of parcels that enter through these two means are the same for the proposed products and the benchmark.

Since there is no reason to believe that RDU will be entered into the postal system differently than RBMC, only one acceptance cost difference is estimated.

The acceptance costs for PSRS parcels are compared to two different entry methods for Intra-BMC Parcel Post. The first is window acceptance. The majority of Intra-BMC parcels that are brought to the window will need to be weighed and rated.[5] In contrast, PSRS parcels will only need to be accepted by the window clerk. In these cases, PSRS parcels will be less costly than Intra-BMC parcels. The second Intra-BMC entry method that is compared to PSRS window acceptance is bulk entry. In these cases, PSRS parcels will be more costly than Intra-BMC parcels.

The PSRS acceptance cost methodology first estimates the cost difference separately for the two Intra-BMC entry methods. First, the model estimates the cost difference between a PSRS parcel accepted over the window and an Intra-BMC Parcel Post parcel accepted over the window with the necessary weighing and rating. Data from the transaction time study provided in Docket No. R97-1 are used to estimate the transaction times for this purpose.[6] These estimates are shown in Attachment B, pages 2 and 3. Next, the model estimates the cost difference between a PSRS parcel accepted over the window and an Intra-BMC parcel entered in bulk. Since data specific to the bulk entry of Intra-BMC Parcel Post are not available, Parcel Select bulk acceptance costs are used as a proxy.[7] Bulk acceptance costs are calculated in Attachment B, page 4 for comparison to the window acceptance costs.

The final step is to weight the two cost difference estimates by the appropriate percentages. For this purpose, the model uses the "percent of Parcel Post entered retail" and the "percent of Parcel Post entered non-retail" that were developed for use in

[5] Parcel Post parcels that are charged Intra-BMC rates and have a Merchandise Return Service label on them will not need to be weighed and rated at the window; however, these parcels will be weighed and rated at the destination end.
[6] Docket No. R97-1, USPS LR-H-167 (Transaction Time Study).
[7] By definition, Parcel Select has to be entered in bulk.

the Parcel Post mail processing models.[8] The resulting acceptance unit cost difference estimate for PSRS is shown in Attachment B, page 1.

B. Mail Processing Costs

The methodology for estimating the mail processing cost differences for Parcel Select RBMC and Parcel Select RDU utilizes the same methodology used for estimating the mail processing cost differences for workshared Parcel Post in Docket No. R2001-1.[9] Mailflow models are developed, and the modeled cost of the workshared product is compared to the modeled cost of the appropriate benchmark.[10]

The Intra-BMC mailflow models shown in Attachment C, pages 7-9 are the same models presented in Docket No. R2001-1, USPS LR-J-64 with two modifications.[11] These modifications are in response to issues raised during the litigation of Docket No. R2001-1. The first modification is a correction of the piggyback factor for the "crossdock containers" operation at the origin plant. The second modification is the "number of handlings" at the destination plant for loading and unloading operations.[12]

The RBMC and RDU mailflow models are Parcel Post mailflow models revised to reflect the RBMC and RDU products. These models are described separately below. The estimated mail processing unit cost differences are shown on Attachment C, page 1.

[8] Docket No. R2001-1, USPS LR-J-64, Attachment A.
[9] Docket No. R2001-1, USPS LR-J-64, Attachment A.
[10] Since these mailflow models are used to estimate cost differences, only the operations that are workshare-related need to be included in the model. For a detailed description of the Parcel Post mail flow models, see Docket No. R2001-1, USPS-T-26, Section III.
[11] Docket No. R2001-1, USPS LR-J-64, Attachment A, pages 11-13.
[12] This modification actually results in reverting back to the methodology used in Docket No. R2000-1.

RBMC

The RBMC mailflow models are shown in Attachment C, pages 10-12. There is a different mail flow model for each of the three RBMC mail processing categories: machinable, non-machinable, and oversize. For purposes of the mailflow model, it is assumed that 100 percent of RBMC is entered at the origin AO. As discussed by witness Gullo, it is assumed that machinable RBMC parcels will be consolidated in one run-out on the parcel sorting machine (USPS-T-1, Section IV). From there, the RBMC machinable parcels will be sorted to shipper, moved to the dock, and loaded into the shipper's truck. For non-machinable and oversize parcels, it is assumed these parcels will be isolated after the first non-machinable manual sort, moved to the designated processing area, sorted to the shipper, moved to the dock, and loaded onto the shipper's truck (USPS-T-1, Section VII).

RDU

The RDU mailflow models are shown in Attachment C, pages 13-15. There is a different mail flow model for each of the three RBMC mail processing categories: machinable, non-machinable, and oversize. For purposes of the mailflow model, it is assumed that 100 percent of RDU is entered at the origin associate office (AO). As discussed by witness Gullo, the only mail processing costs incurred are those associated with sorting the parcels to shipper and moving the containers to the dock (USPS-T-1, Section VII). In addition, the cost model assumes that shippers will be responsible for loading their own trucks (USPS-T-1, Section VII). The cost model does not include any mail processing costs beyond the origin AO. This is based on the assumption that any parcel that is not held out at the origin AO, will be sent to the RBMC and pay the RBMC rate (USPS-T-1, Section IV and VII). Therefore, that mailpiece will not be considered an RDU parcel.

C. Storage Costs

Given that shippers are only obligated to pick up RBMC parcels every 2 days and RDU parcels every 5 days, PSRS parcels will incur storage costs (USPS-T-1, Section

VII). Since Intra-BMC is normally put on the first available transportation, storage costs for PSRS are estimated as costs above the benchmark.

Storage costs are available on a cost per square foot basis. Therefore, the footprint of the container holding the parcels is the cost driver. Since, on average, a different number of machinable, non-machinable, and oversize parcels fit into a container, storage costs are calculated separately for each category. In addition, since RDU and RBMC have different pick-up requirements, storage costs are estimated separately for each rate category. Storage costs are estimated in Attachment D, page 1.

D. Transportation Costs

Parcel Select RBMC will not incur any transportation beyond the origin BMC and Parcel Select RDU will not incur any transportation beyond the origin delivery unit. In contrast, the majority of Intra-BMC parcels will incur transportation from the BMC to the destination plant and from the plant to the destination delivery unit. Therefore, PSRS parcels will incur lower transportation costs than the benchmark rate category, Intra-BMC Parcel Post. Since RDU will avoid more transportation than RBMC, the transportation cost differences are estimated separately for RBMC and RDU. In addition, since the cost driver of transportation is cubic feet, the per-piece transportation cost differences are also estimated separately for machinable, non-machinable, and oversize parcels.

The transportation cost methodology has four steps. These steps are described below.

1. Estimate the benchmark (Intra-BMC) cost per cubic foot

The Intra-BMC cost per cubic foot estimates are the cost estimates calculated in Docket R2001-1, USPS LR-J-64.[13]

2. Estimate the RBMC and RDU cost per cubic foot.

The RBMC and RDU cost per cubic foot estimates are calculated by multiplying the costs per cubic foot of Intra-BMC by the following ratios:

RBMC ratio = assumed # of transportation legs for RBMC /
assumed # of transportation legs for Intra-BMC

RDU ratio = assumed # of transportation legs for RDU /
assumed # of transportation legs for Intra-BMC

These calculations are shown on Attachment E, page 2.

The Parcel Post transportation model assumes that on average, an Intra-BMC parcel incurs 1.92 local legs, 1.92 intermediate legs, and zero long-distance legs of transportation.[14] Since RBMC will travel from the origin associate office to the origin plant and then from the origin plant to the origin BMC, it is assumed that RBMC parcels will incur 1 local leg and 1 intermediate leg of transportation. Since RDU will not go on any postal transportation, it is assumed that RDU will incur zero legs of local, intermediate and long-distance transportation.

[13] Docket No. R2001-1,USPS LR-J-64, Attachment B, page 11. Revised November 11, 2001. For a full discussion of how Intra-BMC Parcel Post transportation cost estimates are calculated see Docket No. R2001-1, USPS-T-25, Section IV.

[14] Local, Intermediate and Long Distance legs of transportation are terms used in the Parcel Post cost model in Docket R2001-1, LR-J-64, Attachment B. Local transportation is defined as transporting parcels between facilities that are within the service area of the Processing and Distribution Center (P&DC), primarily between AOs and P&DCs. Intermediate transportation is defined as transporting parcels between facilities that are within the service area of a BMC, primarily between P&DCs and BMCs. Long distance transportation is defined as transporting parcels between facilities that are in different BMC service areas, primarily between BMCs.

3. Estimate the cost per cubic foot cost savings for RBMC and RDU.

The cost per cubic foot cost savings are calculated as the differences between the cost per cubic foot estimates calculated in Step 1 and the cost per cubic foot estimates calculated in Step 2.[15]

4. Estimate the per piece cost savings of RBMC and RDU.

The average cubes of machinable, non-machinable, and oversize parcels are multiplied by the cost per cubic foot cost savings estimates calculated in Step 3. This is the final step. The estimated transportation cost savings are shown in Attachment E, page 1.

E. Scanning Costs

As discussed by witness Gullo (USPS-T-1, Section VII) RDU parcels will receive two active scans at the delivery unit. RBMC on the other hand will not receive any active scans (USPS-T-1, Section VII). Machinable RBMC will receive passive scans and non-machinable RBMC will not receive any scans (USPS-T-1, Section VII). Since passive scans do not result in any additional labor costs, only the cost of active scans is estimated in this testimony. In addition, since the benchmark, Intra-BMC Parcel Post, does not incur any active scans, the estimated unit cost of scanning is considered an additional cost to RDU parcels.[16]

The methodology for estimating active scanning costs is based on the development of delivery confirmation scanning costs in Docket No. R2001-1 USPS LR-J-135.[17] The transaction times for several scanning activities associated with delivery confirmation are shown in this library reference. From discussions with Operations and witness Gullo, it was determined that box section clerks (or their equivalent) will execute the two PSRS scans. Therefore, I use the "box section clerk scans delivered DC mail

[15] The RDU cost per cubic foot estimates are compared to local zone Intra-BMC cost per cubic foot estimates.

[16] If the customer has purchased delivery confirmation with the Intra-BMC parcel, the parcel will receive an active scan(s). However, the customer would have to pay the delivery confirmation fee to cover the cost of this scan.

[17] Docket No. R2001-1, LR-J-135, Section A, I-1.

item barcode" transaction time as a proxy for the active PSRS scan transaction time. The estimated costs of scanning are shown in Attachment F, page 1.

F. Postage Due Costs

The methodology described above for acceptance costs (Section III.A) eliminates any postage due costs which would generally be included for Intra-BMC Parcel Post as acceptance costs. Therefore, this section adds back in the correct postage due costs for PSRS.

According to witness Gullo, the information gathered from the active scanning of the RDU piece will be used to automatically generate the daily postage due manifest that will be used to deduct postage from the shipper's account. (USPS-T-1, Section V). Therefore, it is assumed that there are no additional postage due costs for RDU.

RBMC parcels, on the other hand, will incur additional costs associated with postage due. While the shipper is responsible for the bulk of postage due tasks, the Postal Service is responsible for sampling the returns to ensure that postage due charges are being calculated correctly.

In order to estimate postage due sampling costs, the Postal Service conducted a survey of actual sampling operations. The survey results are shown in Attachment H, pages 1-5. These survey data are used to estimate the average time per piece spent sampling the returns. Next, the per-piece cost of postage due is multiplied by the percent of pieces sampled to derive the average cost of postage due over all returned pieces. This calculation is shown in Attachment G, page 1. The calculation of the "percent of parcels sampled" is shown in Attachment G, page 2.

10

IV. SUMMARY OF RESULTS

The test-year estimated cost differences for RBMC and RDU relative to the benchmark of Intra-BMC costs are shown in Table 1 below. The cost differences for each cost category are shown in Attachment A, page 1.

Table 1. Summary of Estimated Unit Cost Differences

	Unit Costs Differences	
	RBMC	**RDU**
Machinable	($1.057)	($2.672)
Non-Machinable	($3.872)	($7.820)
Oversize	($11.309)	($21.689)

Summary of Estimated Cost Differences Compared to Benchmark
(negative number indicates savings)

	Acceptance [1]	Mail Processing [2]	Storage [3]	Transportation [4]	Scanning [5]	Postage Due [6]	Total [7]
RBMC							
Machinable	$0.007	-$0.156	$0.024	-$0.999	$0.000	$0.067	-$1.057
Non-machinable	$0.007	-$0.287	$0.094	-$3.753	$0.000	$0.067	-$3.872
Oversize	$0.007	-$0.479	$0.289	-$11.193	$0.000	$0.067	-$11.309
RDU							
Machinable	$0.007	-$1.692	$0.060	-$1.118	$0.071	$0.000	-$2.672
Non-machinable	$0.007	-$3.931	$0.234	-$4.201	$0.071	$0.000	-$7.820
Oversize	$0.007	-$9.961	$0.723	-$12.530	$0.071	$0.000	-$21.689

Sources
[1]: Attachment B, page 1.
[2]: Attachment C, page 1.
[3]: Attachment D, page 1.
[4]: Attachment E, page 1.
[5]: Attachment F, page 1.
[6]: Attachment G, page 1.
[7]: Sum of [1] through [6].

Acceptance Cost Difference Summary (per piece)

Calculation of cost difference for parcels entered at the window

	Unit Costs	
PRS (accepted)	$0.215	1/
Intra-BMC (weighted and rated)	$0.614	2/
Cost Difference	-$0.400	3/

Cost Difference between PRS and bulk acceptance

	Unit Costs	
PRS (accepted at window)	$0.215	4/
Bulk mail acceptance	$0.015	5/
Cost Difference	$0.200	6/

Cost Difference of PRS compared to benchmark

	Distribution [1]	Cost Difference [2]	
Entered at Window (Retail)	32.2%	-$0.400	2a
Entered in Bulk (Non-retail)	67.8%	$0.200	2b
Weighted Average Cost Difference per piece		**$0.007**	**2c**

Sources

1/: Attachment B, page 3.
2/: Attachment B, page 2.
3/: (1) -(2),
4/: Attachment B, page 3.
5/: Attachment B, page 4..
6/: (4) - (5).

[1]: Docket R2001-1, USPS LR-J-64, Attachment A, page 6.
[2]: Estimated cost differences
[2a]: (3).
[2b]: (6).
[2c]: Estimated costs in [2a] and [2b] weighted by percentages in [1].

Retail Transactions
Cost Per "Weight/Rate" Transaction

Transaction Time (in seconds)			64.800	1/
Transaction Time (in minutes)			1.080	2/
FY03 Wage Rate (per hour)			$32.306	3/
FY03 Wage Rate (per minute)			$0.538	4/
Direct Cost per transaction			$0.582	5/
Misc. Volume Variable Window Costs	7.68% x	$0.58 =	$0.045	6/
		+	$0.582	
			$0.626	
Waiting Time Adjustment	22.17% x	$0.58 =	$0.129	7/
		+	$0.626	
			$0.755	
Variability	56.37% x	$0.76 =	$0.426	8/
Piggyback Factor	1.443 x	$0.43 =	$0.614	9/
Cost per minute for Retail Transaction		=	$0.614	10/

Sources

1/: Docket No. R97-1, LR-H-167 (Transaction Time Study)
2/: (1) / 60.
3/: Attachment C, page 4, line (6).
4/: (3) / 60.
5/: (2) x (4).
6:/ Docket No. R2001-1 , LR-J-57, Workpapers B, Worksheet 3.2.1 (break time, clocking in and out, moving equip.).
7/: Docket No. R2001-1, LR-J-57, Workpapers B, Worksheet 3.2.1.
8/: Docket No. R2001-1, LR-J-57, Workpaper B, Worksheet 3.2.1.
9/: Docket No. R2001-1, USPS LR-J-46, page 29.
10/: Product from (9).

Retail Transactions
Cost Per "Acceptance" Transaction

Transaction Time (in seconds)			22.650	1/
Transaction Time (in minutes)			0.378	2/
FY03 Wage Rate (per hour)			$32.306	3/
FY03 Wage Rate (per minute)			$0.538	4/
Direct Cost per transaction			$0.203	5/
Misc. *Volume Variable Window Costs*	7.68% x	$0.20 =	$0.016	6/
		+	$0.203	
			$0.219	
Waiting Time Adjustment	22.17% x	$0.20 =	$0.045	7/
		+	$0.219	
			$0.264	
Variability	56.37% x	$0.26 =	$0.149	8/
Piggyback Factor	1.443 x	$0.15 =	$0.215	9/
Cost per minute for Retail Transaction		=	$0.215	10/

Sources
1/: Docket No. R97-1, LR-H-167 (Transaction Time Study)
2/: (1) / 60.
3/: Attachment C, page 4, line (6).
4/: Row (3) / 60.
5/: (2) x (4).
6:/ Docket No. R2001-1 , LR-J-57, Workpapers B, Worksheet 3.2.1 (break time, clocking in and out, moving equip.).
7/: Docket No. R2001-1, LR-J-57, Workpapers B, Worksheet 3.2.1.
8/: Docket No. R2001-1, LR-J-57, Workpaper B, Worksheet 3.2.1.
9/: Docket No. R2001-1, USPS LR-J-46, page 29.
10/: Product from (9).

Acceptance/Verification Cost Methodology

Outgoing - Dropship Costs [1]			
	MODS	LD43	649
	MODS	LD79	69
	Non-MODS	Allied	2,451
Outgoing OP 7 Dropship related Costs [2]			
	MODS	1PLATFRM	155
	BMC	Platform BMC	244
Total Dropship-related Accept/Verification Costs		1/	3,568,198
Total Dropship Volume		2/	244,274,811
Per piece Cost		3/	$0.015

Sources

[1]: Docket No. R2001-1, LR-J-180, electronic version, file "ppoobf.xls", worksheet "drop".
[2]: Docket No. R2001-1, LR-J-180, electronic version, file "pp00op7.xls", worksheet "dropbf".

1/: Sum of all rows in [1] and [2] multiplied by 1000.
2/: Docket No. R2001-1, LR-J-64, Attachment A, page 6. Sum of DBMC, DSCF and DDU.
3/: (1) / (2).

Mail Processing Cost Estimate Summary Page

Estimated Mail Processing Costs

	Modeled Costs [1]	CRA Adjustment Factors Proportional [2]	CRA Adjustment Factors Fixed [3]	Adjusted Costs [4]	
Intra-BMC Machinable	$1.528	1.231	$0.170	$2.051	4a
Intra-BMC Non Machinable	$3.449	1.231	$0.170	$4.414	4b
Intra-BMC Oversize	$8.660	1.231	$0.170	$10.827	4c
RBMC Machinable	$1.401	1.231	$0.170	$1.895	4d
RBMC Nonmachinable	$3.216	1.231	$0.170	$4.127	4e
RBMC Oversize	$8.271	1.231	$0.170	$10.347	4f
RDU Machinable	$0.153	1.231	$0.170	$0.359	4g
RDU Nonmachinable	$0.254	1.231	$0.170	$0.483	4h
RDU Oversize	$0.565	1.231	$0.170	$0.866	4i

Estimated Mail Processing Cost Differences

Rate Category	Benchmark	Cost Difference [5]	
RBMC Machinable	Intra-BMC mach	($0.156)	5a
RBMC Nonmachinable	Intra-BMC nmo	($0.287)	5b
RBMC Oversize	Intra-BMC over	($0.479)	5c
RDU Machinable	Intra-BMC mach	($1.692)	5d
RDU Nonmachinable	Intra-BMC nmo	($3.931)	5e
RDU Oversize	Intra-BMC over	($9.961)	5f

Sources

[1]: Modeled costs from Attachment C, pages 7-15.
[2]: Docket No. R2001-1, LR-J-64, Attachment A, page 1, (3), revised November 27, 2001.
[3]: Docket No. R2001-1, LR-J-64, Attachment A, page 1, (4), revised November 27, 2001.
[4]: [1] * [2] + [3].
[5]: Difference between Cost Category and Benchmark.
[5a]: (4a)-(4d).
[5b]: (4b)-(4e)
[5c]: (4c)-(4f).
[5d]: (4a)-(4g)
[5e]: (4b)-(4h).
[5f]: (4c)-(4i).

Productivities and Variabilities for Direct Labor Operations

	Productivities (Units per Wkhr)	
UNLOADING		
Unload sacked machinable parcels to extended conveyor	186.2	1/
Unload machinable parcels to extended conveyor	620.1	1/
Unload non-machinable parcels	160.7	1/
Unload non-machinable parcels to IHC only (proxy for sacks)	153.5	1/
Unload wheeled containers	20.7	1/
Unload Pallets/Postal Paks/Pallet Box	12.2	1/
DUMPING & SACK HANDLING		
Dump Containers	6.5	1/
Sack shake out	72.3	1/
Manually dump sacks at Non-BMC	110.4	2/
Sack sorter (PIRS 98)	420.0	3/
PARCEL SORTING MACHINE DISTRIBUTION		
Primary Rate	813.0	3/
Secondary Rate	1224.0	3/
100 percent Key Rate	806.0	4/
NONMACHINABLE OUTSIDES DISTRIBUTION		
NMO Distribution	100.0	3/
NMO Distribution at SCFs	497.7	5/
Parcel Sort at AO	460.6	7/
OTHER OPERATIONS		
Tend container loader/sweep runouts	5.4	1/
Crossdock containers	7.0	1/
Sack and Tie	125.4	1/
LOADING		
Bedload NMOs to van from IHCs (proxy for machinables)	175.9	1/
Bedload Sacked Machinables	181.8	1/
Load wheeled containers	10.4	1/
Load Pallets/Postal Paks/Pallet Boxes	13.3	1/
Variabilities		
BMC Platform	0.95	6/
BMC Other	0.98	6/
PSM	1.00	6/
SSM	1.00	6/
SSB	1.00	6/
NMO Distribution at BMCs	1.00	6/
Platform Non-BMC	0.90	6/
NMO Distribution at Non-BMCs	0.44	6/
LDC43	0.94	6/

Sources

1/: Docket No. R97-1, LR-H-132, page 329.
2/: Proxy based on Planning Guidelines (PGLs).
3/: National Database, PIRS average 1995 - 2000.
4/: National Database, PIRS FY93, (pure keying, no prebarcode).
5/: Docket No. R2001-1, LR-J-65, MODS, Operation 200.
6/: Docekt No. R2001-1, USPS-T-14, Table 1, variabilities.
7/: Docket No. R2001-1, LR-J-64, Attachment D, page 2 (sorting 5-digit to carrier-route).

Arrival and Dispatch Profiles

	Arrival and Dispatch Percentages	
Mail Flow Arrival Profile at Originating BMCs		
Machinable Parcels Arriving in Bedloaded Sacks at BMC	4.3%	1/
Machinable Parcels Arriving Bedloaded at BMC	7.0%	1/
Machinable Parcels Arriving sacked in OTRs at BMC	11.5%	1/
Machinable Parcels Arriving loose in OTRs at BMC	51.1%	1/
Machinable Parcels Arriving Palletized at BMC	1.6%	1/
Machinable Parcels Arriving in Pallet Boxes at BMC	0.9%	1/
Machinable Parcels Arriving in Hampers/APC/OWC (OWC) at BMC	23.6%	1/
Non-Machinable Parcels Arriving Bedloaded at BMC	4.0%	1/
Non-Machinable Parcels Arriving Palletized at BMC	1.3%	1/
Non-Machinable Parcels Arriving in OTR Containers at BMC	72.5%	1/
Non-Machinable Parcels Arriving in Hampers/APC/OWC (OWC) at BMC	22.2%	1/
Mail Flow Arrival Profile from Origin BMCs to Destination BMCs		
Machinable Parcels Arriving in Postal Paks at Destination BMC (from Origin BMC)	100.0%	2/
NMOs Arriving Palletized at Destination BMC (from Origin BMC)	100.0%	2/
Mail Flow Arrival at Destinating BMCs for DBMC parcels		
Machinable Parcel Arriving Bedloaded at DBMC	96.2%	3/
Machinable Parcels Arriving on Pallets at DBMC	0.3%	3/
Machinable Parcels Arriving in OTRs at BMC	0.8%	3/
Machinable Parcels Arriving in Gaylords at DBMC	2.6%	3/
Machinable Parcels arriving in OWC at DBMC	0.1%	3/
Non-Machinable Parcels Arriving Bedloaded at DBMCs	98.5%	3/
Non-Machinable Parcels Arriving in Pallet Boxes at DBMC	0.7%	3/
Non-Machinable Parcels Arriving on Pallets at DBMC	0.8%	3/
Mail Flow Dispatch Profiles From BMCs to Service Area		
Machinable Parcels Dispatched in Bedloaded Sacks to Service Area	23.8%	4/
Machinable Parcels Dispatched loose in OTRs to Service Area	60.3%	4/
Machinable Parcels Dispatched sacked in OTRs to Service Area	2.9%	4/
Machinable Parcels Dispatched in Hampers/APC/OWC (OWC) to Service Area	13.0%	4/
Non-Machinable Parcels Dispatched Bedloaded to Service Area	12.9%	5/
Non-Machinable Parcels Dispatched on Pallets to Service Area	31.0%	5/
Non-Machinable Parcels Dispatched in OTRs to Service Area	53.6%	5/
Non-Machinable Parcels Dispatched in Hampers/APC/OWC (OWC) to Service Area	2.5%	5/
Mail Flow Dispatch Profiles to *Delivery Unit*		
Machinable Parcels Dispatched in Bedloaded Sacks ot Delivery Unit	26.7%	6/
Machinable Parcels Dispatched loose in OTRs to Service Area to Delivery Unit	60.3%	6/
Machinable Parcels Dispatched in OWC to Delivery Unit	13.0%	6/
Non-Machinable Parcels Dispatched Bedloaded to Delivery Unit	26.7%	7/
Non-Machinable Parcels Dispatched in OTRs to Delivery Unit	60.3%	7/
Non-Machinable Parcels Dispatched in Hampers/APC/OWC (OWC) to Delivery Unit	13.0%	7/

Sources

1/: Docket No. R97-1 USPS LR-H-131, Table 1. Assume 61.6 of bedloaded is loose and 38.4 is sacked.
Assume 81.6 percent of mail in OTRs is loose and 18.4 percent is sacked (Docket No. R97-1, LR-H-132, page 277).

2/: Assumptions that 100 percent of parcels going from BMC to BMC will be in Postal Paks.

3/: Unload Profile and # of handlings are from Docket No. R97-1 USPS-LR-H-131, Table 2.

4/: Docket No. R97-1 USPS LR-H-132, Attachment 1, page 274.

5/: Docket No. R97-1 USPS LR-H-132, Attachment 3, page 278.

6/: Assume same as dispatch profile as BMC, but sacks in OTRs get bedloaded.

7/: Use Dispatch profile of machinables as a proxy, use bedloaded sacks for bedloaded NMOs.

Piggyback Factors, Wages, Mail Flow Operating Assumptions

Wage Rate with Premium Pay Factor Applied	30.5933	1/
Premium Pay Factor	0.992	2/
TY Other mail processing wage rate	$30.840	3/
Window Service Adjustment Factor	1.137	4/
Window Service Base year wage rate	28.422	5/
Window Service Test year wage rate	32.306	6/
Mail Processing Operation Specific Piggyback Factors		
NMO Sorting at BMC	1.567	7/
Other Operations at BMCs	1.482	7/
Platform BMC	1.784	7/
Parcel Sorting Machine	2.140	7/
Sack Sorting Machine - BMC	2.075	7/
NMO Sorting at SCF	1.501	7/
Platform Non-BMC	1.655	7/
NonMODS Allied	1.473	7/
NonMODSMANP	1.458	7/
Window Service Piggyback factor (Parcel Post)	1.465	8/
Secondary PSM (unit costs)	0.063	9/
Mail Flow Operating Assumptions		
Percent with direct transportation to destinating delivery unit from BMC	12.3%	10/
Percent Sorted to 5-Digits by Primary Parcel Sorting Machine	20.1%	11/
Destinating BMCs will feed barcoded destinating mail unfiltered to secondary	20.8%	12/
Probability that mail fed directly to nonspecific secondary will receive more than one sort	50.0%	13/
Probability that barcode on secondary will not be readable	3.0%	14/
Proportion of parcel singulators (SSIU) being at secondary	100.0%	15/
Proportion sent from secondary to primary due to SSIU	3.0%	16/
Probability of Inter-BMC parcel going to primary psm at destination BMC	85.7%	17/
Probability of Inter-BMC parcel being handled by SSIU in destination BMC	94.5%	18/
Probability of Intra-BMC and DBMC parcels going to primary psm (or get keyed)	102.40%	19/
Probability of Intra-BMC and DBMC on secondary psm	79.9%	20/
Probability that NMOs will NOT be inducted on the conveyor system (not used for NMOs over 108	41.2%	21/
Probability that NMOs will be NOT be moved using towveyor (not used for pallets)	31.4%	21/

Sources

1/: (2) x (3).
2/: Docket No. R2001-1, USPS-T-15, Attachment 14 (all facilities premium pay factor).
3/: Docket No. R2001-1, LR-J-55, part VIII, page 2 (other mail processing wage rate).
4/: (6) / (5).
5/: Docket No. R2001-1, LR-J-55, part VIII, page 2 (base-year wage rate).
6/: Docket No. R2001-1, LR-J-55, part VIII, page 2 (test-year wage rate).
7/: Docket No. R2001-1, USPS-T-15, Attachment 12 (operation specific piggyback factor).
8/: Docket No. R2001-1, USPS-T-15, Attachment 10 (window service piggyback factor).
9/: Docket R2001-1, USPS-T15, Attachment 12, page 2 (w/keying labor unit piggyback cost).
10/: USPS LR-PCR-40, page 64.
11/: Docket R2001-1, USPS LR-J-64, Attachment J, page 1, [10].
12/: Docket R2001-1, USPS LR-J-64, Attachment J, page 1, [9].
13/: Assumption that mail going to secondary PSM will be evenly split between scheme 1 and scheme 2.
14/: Assumption used by Operations.
15/: Assumption used by Operations.
16/: (14) x (15).
17/: [1 - (12)] + [(16) x (12)]+{[(1) - (12)] x [(1) - (11)] x (16)}+{(11) x (12) x [(1) - (16)]}.
18/: (12) + [(11) x (13)] + [1-(12)] x [(1-(11)].
19/: 1 + [1-(11)] * (16).
20/: 1 - (11).
21/: Docket R2001-1, USPS LR-J-64, Attachment J, page 1, [11].

Other Inputs

FY2000 Volumes

	Percents			NMO		
	% mach [1]	% over [2]	machinable [3]	(non oversize) [4]	Oversize [5]	Total [6]
Inter-BMC	96.8%	0.038%	46,147,175	1,520,691	18,095	47,685,961
Intra-BMC	96.0%	0.048%	30,907,835	1,282,998	15,520	32,206,353
DBMC	94.0%	0.139%	189,189,330	11,872,241	279,184	201,340,754
DSCF	94.0%	0.139%	4,573,776	287,019	6,749	4,867,545
DDU	94.0%	0.139%	35,769,102	2,244,626	52,784	38,066,512
Total			306,587,217	17,207,575	372,332	324,167,125

Calculation of Percent of Inter and Intra entered at origin AO

Percent of inter-BMC that is retail	36.7%	1/
Percent of intra-BMC that is retail	32.2%	2/

Average Cubic Feet of Parcel Post

	[7]
Machinable	0.597
Non-machinable	2.244
Oversize	6.692

Sources

Rows (1&2)/: Docket R2001-1, LR-J-64, Attachment A, page 6.

Column [1]: Docket R2001-1, LR-J-67, Attachment A, page 6. Machinable volume / total volume.
Column [2]: Docket R2001-1, LR-J-67, Attachment A, page 6. Nonmachinable volume / total nonmachinable volume.
Column [3]: Column [1] * column [6].
Column [4]: Column [6] - column [3] - column [5].
Column [5]: Column [2] * column [6].
Column [6]: FY2000 RPW volumes.
Column [7]: Docket No. R2001-1, LR-J-67. Cubic feet / Volume.

Conversion Factor Calculations

Container Type	Outside Dim. Per Container (Inches) [1]	Inside Dim. Per Container (Inches) [2]	Cubic Feet Per Container [3]	Effective Parcel Capacity (# of Parcels) [4]	Capacity at Average Fullness (# of Parcels) [5]	Average % FULL [6]
Machinable						
Pallet	48x40x48	48x40x48	53.3	89.3	75.9	85%
Postal Pak	48x40x69	46.5x38.5x69	71.5	108.8	92.5	85%
Pallet Box	48x40x69	46.5x38.5x69	71.5	108.8	95.8	88%
Pallet Box (for space)	48x40x70	46.5x38.5x70	71.5	108.8	81.6	75%
Sacks on In-house Container	65x41.5x36	65x41.5x36	56.2	85.5	72.7	85%
NMOs						
Pallet	48x40x48	48x40x48	53.3	23.8	23.8	100%
Pallet Box	48x40x69	46.5x38.5x69	71.5	29.0	24.6	85%
In-house Container	65x41.5x36	65x41.5x36	56.2	22.8	19.4	85%
Oversize NMOs						
108"-130" on Pallet	48x40x48	48x40x48	53.3	8.0	8.0	100%
108"-130" in IHC	65x41.5x36	65x41.5x36	56.2	7.6	7.6	100%

Pieces Per Container	Machinable R0-1 (FY98) [7]	Machinable R01-1 (FY00) [8]	Nonmachinable R2000 [9]	Nonmachinable R01-1 (FY00) [10]	108"-130" (R01-1 (FY00) [11]
Sack	5.1	5.0	n/a	n/a	n/a
Sack in OTR	81.8	79.6	n/a	n/a	n/a
OTR	69.0	67.2	27.1	24.1	8.1
APC	35.7	34.7	14.0	12.4	4.2
Hamper	23.0	22.4	9.0	8.0	2.7

	Cubic Feet Per Parcel Post			No. of Sacks on IHC	No. of Sacks on Postal Pak
	Machinable [12]	NMO [13]	108"-130" [14]	[15]	[16]
R2001 (BY00)	0.597	2.244	6.69	14.61	18.59
R2000 (BY98)	0.581	1.992			

Sources

Columns [1 & 2]: Container Methods, Handbook PO-502 (September 1992), USPS LR-H-133.

Column [3]: (Length * width * height) / (12*12*12).

Column [4]: For mach: (column [3]) / ((column [12]) * air factor). For nmo: (column [3]) / ((column [13]) * air factor). For oversize: (column [3]) / ((column [14]) * air factor).
Air factor =1 for pallets, and 1.1 for all else.

Column [5]: Effective cubic capacity (column [4]) * average % fullness (column [6]).

Column [6]: Pallets, postal paks and IHCs should be as full as practicable before dispatch so it is reasonable to assume these containers will be at least 85% full.
The majority of pallet boxes come from mailers who must have 75 percent full boxes, and tend to fill them to maximize capacity.
Therefore 88 percent, the average of 75 and 100 percent was used.

Column [7]: Docket No. R2000-1, USPS-T-26, Attachment A, page 8, column 8.

Column [8]: (Column [7]) * FY98 cubic feet per piece (column [12]) / FY00 cubic feet per piece (column [12]).

Column [9]: Docket No. R2000-1, USPS-T-26, Attachment A, page 8, column 10.

Column [10]: (Column [9]) * FY98 cubic feet per piece (column [14]) / FY00 cubic feet per piece (column [14]).

Column [11]: Column [10] * column [13] / column [15].

Column [12]: Attachment C, page 5, column [7], *machinable parcels*.

Column [13]: Attachment C, page 5 column [7], non-machinable parcels.

Column [14]: Attachment C, page 5, column [7], oversize parcels.

Column [15]: No. of parcels on IHC (column 5) divided by no. of parcels in a sack (column 8).

Column [16]: No of parcels on a parcel (column5) divided by no. of parcels in a sack (column 8).

Intra-BMC Machinable Mail Processing Cost Model

	[1] # handlings	[2] units/hr	[3] conversion	[4] piggyback	[5] $ per oper.	[6] $ per facility
Origin AO[1]						**$0.067**
Move Containers to Dock	0.3221	28.0	28.5	1.47	$0.056	$0.018
Load Containers	0.3221	10.4	28.5	1.47	$0.152	$0.049
Origin SCF						**$0.417**
Unload Containers[2]	1.0000				$0.056	$0.056
Crossdock containers	1.0000	7.0	28.5	1.66	$0.253	$0.253
Bedload Sacks	0.0434	181.8	5.0	1.66	$0.056	$0.002
Bedload loose	0.0696	175.9	1	1.66	$0.288	$0.020
Load Sacks in OTRs	0.1152	10.4	79.6	1.66	$0.061	$0.007
Load Loose in OTRs	0.5108	10.4	67.2	1.66	$0.073	$0.037
Load Pallets	0.0160	13.3	75.9	1.66	$0.050	$0.001
Load Pallet Boxes	0.0090	13.3	95.8	1.66	$0.040	$0.000
Load OWCs	0.2360	10.4	28.5	1.66	$0.171	$0.040
Destination BMC						**$0.613**
Unload Bedload Sack	0.0434	186.2	5.0	1.78	$0.059	$0.003
Unload Bedload Loose	0.0696	620.1	1.0	1.78	$0.088	$0.006
Unload Sacks in OTR	0.1152	20.7	79.6	1.78	$0.033	$0.004
Unload loose in OTR	0.5108	20.7	67.2	1.78	$0.039	$0.020
Unload Pallet	0.0160	12.2	75.9	1.78	$0.059	$0.001
Unload Pallet Boxes	0.0090	12.2	95.8	1.78	$0.047	$0.000
Unload Other Wheeled Cont.	0.2360	20.7	28.5	1.78	$0.092	$0.022
Dump OTR of sacks	0.1152	6.5	79.6	1.48	$0.088	$0.010
Dump OTR of loose	0.5108	6.5	67.2	1.48	$0.105	$0.053
Dump Pallet	0.0160	6.5	75.9	1.48	$0.092	$0.001
Dump Pallet Boxes	0.0090	6.5	95.8	1.48	$0.073	$0.001
Dump Other Wheeled Cont.	0.2360	6.5	28.5	1.48	$0.246	$0.058
Sack Sorter	0.1586	420.0	5.0	2.08	$0.030	$0.005
Sack shakeout	0.1586	72.3	5.0	1.48	$0.126	$0.020
O. Primary (scan)	1.0240	813.0	1.0	2.14	$0.081	$0.082
Secondary (scan)	0.7991			0.06	$0.063	$0.051
Sweep Runouts OTR	0.7327	5.4	67.2	1.48	$0.125	$0.091
Sack and Tie	0.2673	125.4	1.0	1.48	$0.362	$0.097
Bedload Sacks	0.2384	181.8	5.0	1.78	$0.060	$0.014
Load OTRs w/ sacks	0.0289	10.4	79.6	1.78	$0.066	$0.002
Load OTRs w/ loose	0.6025	10.4	67.2	1.78	$0.078	$0.047
Load Hampers/OWC	0.1302	10.4	28.5	1.78	$0.185	$0.024
Destination SCF						**$0.224**
Unload Bedload Sacks	0.2091	153.5	5.0	1.66	$0.066	$0.014
Unload Sacks in OTR	0.0253	20.7	79.6	1.66	$0.031	$0.001
Unload loose in OTR	0.5284	20.7	67.2	1.66	$0.036	$0.019
Unload OWC	0.1142	20.7	28.5	1.66	$0.086	$0.010
Crossdock IHC (Bedload Sack	0.2091	7.0	72.7	1.66	$0.099	$0.021
Crossdock Sacks in OTR	0.0253	7.0	79.6	1.66	$0.091	$0.002
Crossdock loose in OTR	0.5284	7.0	67.2	1.66	$0.108	$0.057
Crossdock OWC	0.1142	7.0	28.5	1.66	$0.253	$0.029
Bedload Sacks	0.2344	181.8	5.0	1.66	$0.056	$0.013
Load OTRs w/ loose	0.5284	10.4	67.2	1.66	$0.073	$0.038
Load Hampers/OWC	0.1142	10.4	28.5	1.66	$0.171	$0.020
Destination Delivery Unit						**$0.208**
Unload Bedload Sacks	0.2673	153.5	5.0	1.66	$0.066	$0.018
Unload loose in OTR	0.6025	20.7	67.2	1.66	$0.036	$0.022
Unload OWC	0.1302	20.7	28.5	1.66	$0.086	$0.011
Dump Sacks	0.2673	110.4	5.0	1.66	$0.092	$0.025
Move Containers from Dock	1.0000	28.0	45.5	1.47	$0.035	$0.035
Sort Parcels	1.0000	460.6	1.0	1.46	$0.097	$0.097
				Model Cost		**$1.528**

Sources
Column [1]: Attachment C, page 3 (arrival and dispatch profiles).
Column [2]: Attachment C, page 2 (units per workhour).
Column [3]: Attachment C, page 6 (conversion factors).
Column [4]: Attachment C, page 4 (piggyback factors).
Column [5]: (TY wage rate * column [4]) / (column [2] * column [3]).
Column [6]: (column [1] * column [5]).

[1] *Number of Handlings at Origin AO* from Attachment C, page 5.
[2] Unload Containers cost at OSCF uses the average cost of unloading containers at origin BMC as proxy.

Intra-BMC Non-machinable Mail Processing Cost Model

	[1] # handlings	[2] units/hr	[3] conversion	[4] piggyback	[5] $ per oper.	[6] $ per facility
Origin AO[1]						**$0.187**
Move Containers to Dock	0.3221	28.0	10.2	1.47	$0.157	$0.051
Load Containers	0.3221	10.4	10.2	1.47	$0.425	$0.137
Origin SCF						**$1.125**
Unload Containers[2]	1.0000				*$0.152*	*$0.152*
Crossdock containers	1.0000	7.0	10.2	1.66	$0.706	$0.706
Bedload NMOs	0.0400	175.9	1.0	1.66	$0.288	$0.012
Load NMOs in OTRs	0.7250	10.4	24.1	1.66	$0.203	$0.147
Load NMOs in OWCs	0.2220	10.4	10.2	1.66	$0.477	$0.106
Load NMOs on Pallets	0.0130	13.3	23.8	1.66	$0.160	$0.002
Destination BMC						**$1.001**
Unload Bedloaded NMOs	0.0400	160.7	1.0	1.78	$0.340	$0.014
Unload NMOs in OTRs	0.7250	20.7	24.1	1.78	$0.109	$0.079
Unload NMOs in OWC	0.2220	20.7	10.2	1.78	$0.257	$0.057
Unload NMOs on Pallets	0.0130	12.2	23.8	1.78	$0.188	$0.002
Move IHCs (from bedload)	*0.0165*	*14.0*	*19.4*	*1.48*	*$0.167*	$0.003
Move OTRs	0.2988	14.0	24.1	1.48	$0.134	$0.040
Move OWC	0.0915	14.0	10.2	1.48	$0.316	$0.029
Move Pallets	0.0054	14.0	23.8	1.48	$0.136	$0.001
D. Primary NMO Sort	1.0000	100.0	1.0	1.57	*$0.479*	*$0.479*
Move IHCs	0.0405	14.0	22.8	1.48	$0.142	$0.006
Move OTRs	0.1681	14.0	24.1	1.48	$0.134	$0.023
Move OWC	0.0078	14.0	10.2	1.48	$0.316	$0.002
Move Pallets	0.3098	14.0	23.8	1.48	$0.136	$0.042
Bedload from IHC	0.1291	175.9	1.0	1.78	$0.310	$0.040
Load NMOs in OTRs	0.5363	10.4	24.1	1.78	$0.219	$0.117
Load NMOs in OWC	*0.0248*	*10.4*	*10.2*	*1.78*	$0.514	$0.013
Load NMOs on Pallet	0.3098	13.3	23.8	1.78	$0.172	$0.053
Destination SCF						**$0.759**
Unload Bedload to IHC	0.1061	153.5	1.0	1.66	$0.330	$0.035
Unload OTRs	0.4407	20.7	24.1	*1.66*	*$0.101*	$0.045
Unload OWC	0.0204	20.7	10.2	1.66	$0.239	$0.005
Unload Pallet	0.3098	12.2	23.8	1.66	$0.174	$0.054
Move IHC	0.1061	14.0	19.4	1.66	$0.187	$0.020
Move OTRs	0.4407	14.0	24.1	1.66	$0.150	$0.066
Move OWC	0.0204	14.0	10.2	1.66	$0.353	$0.007
Move Pallet	0.3098	14.0	23.8	1.66	$0.152	$0.047
Manual Sort	0.8770	497.7	1.0	1.50	$0.092	$0.081
Move IHC	0.2443	14.0	19.4	1.66	$0.187	$0.046
Move OTRs	0.5069	14.0	24.1	1.66	$0.150	$0.076
Move OWC	0.1258	14.0	10.2	1.66	$0.353	$0.044
Bedload NMOs	*0.2443*	*175.9*	*1.0*	*1.66*	$0.288	$0.070
Load OTRs w/ loose	0.5069	10.4	24.1	1.66	$0.203	$0.103
Load Hampers/OWC	0.1258	10.4	10.2	1.66	$0.477	$0.060
Destination Delivery Unit						**$0.377**
Unload Bedload NMOs	0.2673	153.5	*1.0*	*1.66*	*$0.330*	*$0.088*
Unload loose in OTR	0.6025	20.7	24.1	1.66	$0.101	$0.061
Unload OWC	0.1302	20.7	10.2	1.66	$0.239	$0.031
Move Containers from Dock	1.0000	28.0	16.1	1.47	$0.100	$0.100
Sort Parcels	1.0000	460.6	1.0	1.46	*$0.097*	*$0.097*
				Model Cost		**$3.449**

Column [1]: Attachment C, page 3 (arrival and dispatch profiles).
Column [2]: Attachment C, page 2 (units per workhour).
Column [3]: Attachment C, page 6 (conversion factors).
Column [4]: Attachment C, page 4 (piggyback factors).
Column [5]: (TY wage rate * column [4]) / (column [2] * column [3]).
Column [6]: (column [1] * column [5]).

[1] Number of Handlings at Origin AO from Attachment C, page 5.

[2] Unload Containers cost at OSCF uses the average cost of unloading containers at origin BMC as proxy.

Intra-BMC Non-machinable Oversize Mail Processing Cost Model

Length plus Girth Between 108" and 130"

	[1] # handlings	[2] units/hr	[3] conversion	[4] piggyback	[5] $ per oper.	[6] $ per facility
Origin AO[1]						**$0.559**
Move Containers to Dock	0.3221	28.0	3.4	1.47	$0.468	$0.151
Load Containers	0.3221	10.4	3.4	1.47	$1.267	$0.408
Origin SCF						**$3.305**
Unload Containers[2]	1.0000				$0.428	$0.428
Crossdock containers	1.0000	7.0	3.4	1.66	$2.105	$2.105
Bedload NMOs	0.0400	175.9	1.0	1.66	$0.288	$0.012
Load NMOs in OTRs	0.7250	10.4	8.1	1.66	$0.605	$0.439
Load NMOs in OWCs	0.2220	10.4	3.4	1.66	$1.423	$0.316
Load NMOs on Pallets	0.0130	13.3	8.0	1.66	$0.476	$0.006
Destination BMC						**$2.183**
Unload Bedloaded to IHC	0.0400	153.5	1.0	1.78	$0.356	$0.014
Unload NMOs in OTRs	0.7250	20.7	8.1	1.78	$0.326	$0.236
Unload NMOs in OWC	0.2220	20.7	3.4	1.78	$0.767	$0.170
Unload NMOs on Pallets	0.0130	12.2	8.0	1.78	$0.561	$0.007
Move IHC	0.0400	14.0	7.6	1.48	$0.424	$0.017
Move OTR	0.7250	14.0	8.1	1.48	$0.401	$0.290
Move OWC	0.2220	14.0	3.4	1.48	$0.943	$0.209
Move Pallet	0.0130	14.0	8.0	1.48	$0.406	$0.005
D. Primary NMO Sort	1.0000	100.0	1.0	1.57	$0.479	$0.479
Move IHC	0.0125	14.0	7.6	1.48	$0.424	$0.005
Move OTR	0.2273	14.0	8.1	1.48	$0.401	$0.091
Move OWC	0.0696	14.0	3.4	1.48	$0.943	$0.066
Move Pallet	0.0130	14.0	8.0	1.48	$0.406	$0.005
Bedload from IHC	0.1291	175.9	1.0	1.78	$0.310	$0.040
Load NMOs in OTRs	0.5363	10.4	8.1	1.78	$0.652	$0.350
Load NMOs on Pallet	0.3098	13.3	8.0	1.78	$0.513	$0.159
Load NMOs in OWC	0.0248	10.4	3.4	1.78	$1.534	$0.038
Destination SCF						**$1.865**
Unload Bedload to IHC	0.1061	153.5	1.0	1.66	$0.330	$0.035
Unload OTRs	0.4407	20.7	8.1	1.66	$0.302	$0.133
Unload Pallet	0.3098	12.2	8.0	1.66	$0.520	$0.161
Unload OWC	0.0204	20.7	3.4	1.66	$0.711	$0.014
Move IHC	0.1061	14.0	7.6	1.66	$0.473	$0.050
Move OTRs	0.4407	14.0	8.1	1.66	$0.447	$0.197
Move Pallet	0.3098	14.0	8.0	1.66	$0.453	$0.140
Move OWC	0.0204	14.0	3.4	1.66	$1.053	$0.021
Manual Sort	0.8770	497.7	1.0	1.50	$0.092	$0.081
Move IHC	0.2443	14.0	7.6	1.66	$0.473	$0.116
Move OTRs	0.5069	14.0	8.1	1.66	$0.447	$0.227
Move OWC	0.1258	14.0	3.4	1.66	$1.053	$0.132
Bedload NMOs	0.2443	175.9	1.0	1.66	$0.288	$0.070
Load OTRs w/ loose	0.5069	10.4	8.1	1.66	$0.605	$0.307
Load Hampers/OWC	0.1258	10.4	3.4	1.66	$1.423	$0.179
Destination Delivery Unit						**$0.748**
Unload Bedload NMOs	0.2673	153.5	1.0	1.66	$0.330	$0.088
Unload loose in OTR	0.6025	20.7	8.1	1.66	$0.302	$0.182
Unload OWC	0.1302	20.7	3.4	1.66	$0.711	$0.093
Move Containers from Dock	1.0000	28.0	5.6	1.47	$0.288	$0.288
Sort Parcels	1.0000	460.6	1.0	1.46	$0.097	$0.097
				Model Cost		**$8.660**

Sources

Column [1]: Attachment C, page 3 (arrival and dispatch profiles).
Column [2]: Attachment C, page 2 (units per workhour).
Column [3]: Attachment C, page 6 (conversion factors).
Column [4]: Attachment C, page 4 (piggyback factors).
Column [5]: (TY wage rate * column [4]) / (column [2] * column [3]).
Column [6]: (column [1] * column [5]).

[1] Number of Handlings at Origin AO from Attachment C, page 5.

[2] Unload Containers cost at OSCF uses the average cost of unloading containers at origin BMC as proxy.

RBMC Non-machinable Mail Processing Cost Model

	[1] # handlings	[2] units/hr	[3] conversion	[4] piggyback	[5] $ per oper.	[6] $ per facility
Origin AO[1]						**$0.582**
Move Containers to Dock	1.0000	28.0	10.2	1.47	$0.157	$0.157
Load Containers	1.0000	10.4	10.2	1.47	$0.425	$0.425
Origin SCF						**$1.125**
Unload Containers[2]	1.0000				$0.152	$0.152
Crossdock containers	1.0000	7.0	10.2	1.66	$0.706	$0.706
Bedload NMOs	0.0400	175.9	1.0	1.66	$0.288	$0.012
Load NMOs in OTRs	0.7250	10.4	24.1	1.66	$0.203	$0.147
Load NMOs in OWCs	0.2220	10.4	10.2	1.66	$0.477	$0.106
Load NMOs on Pallets	0.0130	13.3	23.8	1.66	$0.160	$0.002
Destination BMC						**$1.509**
Unload Bedloaded NMOs	0.0400	160.7	1.0	1.78	$0.340	$0.014
Unload NMOs in OTRs	0.7250	20.7	24.1	1.78	$0.109	$0.079
Unload NMOs in OWC	0.2220	20.7	10.2	1.78	$0.257	$0.057
Unload NMOs on Pallets	0.0130	12.2	23.8	1.78	$0.188	$0.002
Move IHCs (from bedload)	0.0165	14.0	19.4	1.48	$0.167	$0.003
Move OTRs	0.2988	14.0	24.1	1.48	$0.134	$0.040
Move OWC	0.0915	14.0	10.2	1.48	$0.316	$0.029
Move Pallets	0.0054	14.0	23.8	1.48	$0.136	$0.001
D. Primary NMO Sort	1.0000	100.0	1.0	1.57	$0.479	$0.479
Move NMOs to Mach runoff	1.0000	14.0	23.8	1.48	$0.136	$0.136
Sort by Mailer ID	1.0000	100.0	1.0	1.57	$0.479	$0.479
Move Pallets	1.0000	14.0	23.8	1.48	$0.136	$0.136
Load NMOs on Pallet	0.3098	13.3	23.8	1.78	$0.172	$0.053
				Model Cost		**$3.216**

Sources

Column [1]: Attachment C, page 3 (arrival and dispatch profiles).
Column [2]: Attachment C, page 2 (units per workhour).
Column [3]: Attachment C, page 6 (conversion factors).
Column [4]: Attachment C, page 4 (piggyback factors).
Column [5]: (TY wage rate * column [4]) / (column [2] * column [3]).
Column [6]: (column [1] * column [5]).

[1] Assumption that all RBMC will be entered at origin AO.

[2] Unload Containers cost at OSCF uses the average cost of unloading containers at origin BMC as proxy.

RBMC Non-machinable Oversize Mail Processing Cost Model

Length plus Girth Between 108" and 130"

	[1] # handlings	[2] units/hr	[3] conversion	[4] piggyback	[5] $ per oper.	[6] $ per facility
Origin AO[1]						**$1.735**
Move Containers to Dock	1.0000	28.0	3.4	1.47	$0.468	$0.468
Load Containers	1.0000	10.4	3.4	1.47	$1.267	$1.267
Origin SCF						**$3.305**
Unload Containers[2]	1.0000				$0.428	$0.428
Crossdock containers	1.0000	7.0	3.4	1.66	$2.105	$2.105
Bedload NMOs	0.0400	175.9	1.0	1.66	$0.288	$0.012
Load NMOs in OTRs	0.7250	10.4	8.1	1.66	$0.605	$0.439
Load NMOs in OWCs	0.2220	10.4	3.4	1.66	$1.423	$0.316
Load NMOs on Pallets	0.0130	13.3	8.0	1.66	$0.476	$0.006
Destination BMC						**$3.230**
Unload Bedloaded to IHC	0.0400	153.5	1.0	1.78	$0.356	$0.014
Unload NMOs in OTRs	0.7250	20.7	8.1	1.78	$0.326	$0.236
Unload NMOs in OWC	0.2220	20.7	3.4	1.78	$0.767	$0.170
Unload NMOs on Pallets	0.0130	12.2	8.0	1.78	$0.561	$0.007
Move IHC	0.0400	14.0	7.6	1.48	$0.424	$0.017
Move OTR	0.7250	14.0	8.1	1.48	$0.401	$0.290
Move OWC	0.2220	14.0	3.4	1.48	$0.943	$0.209
Move Pallet	0.0130	14.0	8.0	1.48	$0.406	$0.005
D. Primary NMO Sort	1.0000	100.0	1.0	1.57	$0.479	$0.479
Move NMOs to Mach runoff	1.0000	14.0	8.0	1.48	$0.406	$0.406
Sort by Mailer ID	1.0000	100.0	1.0	1.57	$0.479	$0.479
Move Pallet	1.0000	14.0	8.0	1.48	$0.404	$0.404
Load NMOs on Pallet	1.0000	13.3	8.0	1.78	$0.511	$0.511
				Model Cost		**$8.271**

Sources

Column [1]: Attachment C, page 3 (arrival and dispatch profiles).
Column [2]: Attachment C, page 2 (units per workhour).
Column [3]: Attachment C, page 6 (conversion factors).
Column [4]: Attachment C, page 4 (piggyback factors).
Column [5]: (TY wage rate * column [4]) / (column [2] * column [3]).
Column [6]: (column [1] * column [5]).

[1] Assumption that all RBMC will be entered at origin AO.

[2] Unload Containers cost at OSCF uses the average cost of unloading containers at origin BMC as proxy.

RDU Machinable Mail Processing Cost Model

	[1] # handlings	[2] units/hr	[3] conversion	[4] piggyback	[5] $ per oper.	[6] $ per facility
Origin AO						**$0.153**
Sort by Shipper ID	1.0000	460.6	1.0	1.46	$0.097	$0.097
Move Containers to Dock	1.0000	28.0	28.5	1.47	$0.056	$0.056
Load Containers	0.0000	10.4	28.5	1.47	$0.152	$0.000
				Model Cost		**$0.153**

Sources

Column [1]: All RDU parcels will be sorted to shipper and moved to dock (USPS-T-1, Section VII).
Column [2]: Attachment C, page 2 (units per workhour).
Column [3]: Attachment C, page 6 (conversion factors).
Column [4]: Attachment C, page 4 (piggyback factors).
Column [5]: (TY wage rate * column [4]) / (column [2] * column [3]).
Column [6]: (column [1] * column [5]).

RDU Non-machinable Mail Processing Cost Model

	[1] # handlings	[2] units/hr	[3] conversion	[4] piggyback	[5] $ per oper.	[6] $ per facility
Origin AO						**$0.254**
Sort by Shipper ID	1.0000	460.6	1.0	1.46	$0.097	$0.097
Move Containers to Dock	1.0000	28.0	10.2	1.47	$0.157	$0.157
Load Containers	0.0000	10.4	10.2	1.47	$0.425	$0.000
				Model Cost		**$0.254**

Column [1]: All RDU parcels will be sorted to shipper and moved to dock (USPS-T-1, Section VII).
Column [2]: Attachment C, page 2 (units per workhour).
Column [3]: Attachment C, page 6 (conversion factors).
Column [4]: Attachment C, page 4 (piggyback factors).
Column [5]: (TY wage rate * column [4]) / (column [2] * column [3]).
Column [6]: (column [1] * column [5]).

RDU Oversize Mail Processing Cost Model

Length plus Girth Between 108" and 130"

	[1] # handlings	[2] units/hr	[3] conversion	[4] piggyback	[5] $ per oper.	[6] $ per facility
Origin AO						***$0.565***
Sort by Shipper ID	1.0000	460.6	1.0	1.46	$0.097	$0.097
Move Containers to Dock	1.0000	28.0	3.4	1.47	$0.468	$0.468
Load Containers	0.0000	10.4	3.4	1.47	$1.267	$0.000
				Model Cost		**$0.565**

Sources

Column [1]: All RDU parcels will be sorted to shipper and moved to dock (USPS-T-1, Section VII).
Column [2]: Attachment C, page 2 (units per workhour).
Column [3]: Attachment C, page 6 (conversion factors).
Column [4]: Attachment C, page 4 (piggyback factors).
Column [5]: (TY wage rate • column [4]) / (column [2] • column [3]).
Column [6]: (column [1] * column [5]).

Storage Cost Estimates

	Mail Category			
	Machinable	Non-Machinable	Oversize	
# of pieces in Container (Pallet Box)	95.8	24.6	8.0	1/
Total Square Feet taken up by one container	13.3	13.3	13.3	2/
Cost of Space ($/sf) - Annual	$15.95	$15.95	$15.95	3/
Space Variability	1.000	1.000	1.000	4/
Space Support Factor	1.354	1.354	1.354	5/
Cost of Space ($/sf) - Annual	$21.60	$21.60	$21.60	6/
Cost per square foot - Daily (250 days)	$0.09	$0.09	$0.09	7
Cost per Container	$1.15	$1.15	$1.15	8/
Cost per piece per day	$0.01	$0.05	$0.14	9
Storage Days Required				
RBMC	2	2	2	10/
RDU	5	5	5	11/
Cost by PRS Rate Category				
RBMC	$0.024	$0.094	$0.289	12/
RDU	$0.060	$0.234	$0.723	13/

Sources

1/: Attachment C, page 6 (Conversion factors).
2/: Calculation using dimensions of containers.
3/: R2001-1, USPS LR-J-52, page 241, line 19.
4/: Variability assumption implicit in data filed in Docket No. R2001-1.
5/: Docket No. R94-1, LR-G-120A, Schedule 5, page 1, line 39 and Schedule 4, page 1, line 44.
6/: (3) x (4) x (5).
7/: (6) / 250 days.
8/: (2) x (7).
9/: (8) / (1).
10/: Assumption from Product Definition (mailers must pick up RBMC parcels every 2 days).
11/: Assumption from Product Definition (mailers must pick up RDU parcels every 5 days).
12/: (9) x (10).
13/: (9) x (11).

Transportation Cost Estimate Summary

PRS Rate Category	Benchmark	Total Cost Impact per Cubic Foot [1]	Average Cubic Feet per Piece [2]	Total Cost Impact per Piece [3]
RBMC - Machinable	Intra-BMC	-$1.673	0.597	-$0.999
RBMC - Non-machinable	Intra-BMC	-$1.673	2.244	-$3.753
RBMC - Oversize	Intra-BMC	-$1.673	6.692	-$11.193
RDU - Machinable	Intra-BMC Local	-$1.872	0.597	-$1.118
RDU - Non-machinable	Intra-BMC Local	-$1.872	2.244	-$4.201
RDU - Oversize	Intra-BMC Local	-$1.872	6.692	-$12.530

Sources
[1]: Attachment E, page 2.
[2]: Attachment C, page 5.
[3]: [1] x [2].

Transportation Cost Difference Estimates

Assumed Legs of Transportation [1]

		Local	Intermediate	Long Distance
Intra-BMC	[1a]	1.92	1.92	0.00
RBMC	[1b]	1.00	1.00	0.00
RDU	[1c]	0.00	0.00	0.00

Benchmark Transportation Cost per Cubic Foot [2]

	Intra-BMC			
Zone	Local	Intermediate	Long Distance	Total
Local	$0.931	$0.942	N/A	$1.872
1-2	$1.607	$1.883	N/A	$3.490
3	$1.607	$1.883	N/A	$3.490
4	$1.607	$1.883	N/A	$3.490
5	$1.607	$1.883	N/A	$3.490
6	N/A	N/A	N/A	N/A
7	N/A	N/A	N/A	N/A
8	N/A	N/A	N/A	N/A

PRS Transportation Cost per Cubic Foot [3]

(Benchmark)	RBMC (Intra-BMC)				RDU (Intra-BMC)			
Zone	Local	Intermediate	Long Distance	Total	Local	Intermediate	Long Distance	Total
Local	$0.484	$0.491	N/A	$0.975	$0.000	$0.000	N/A	$0.000
zone 1-2	$0.835	$0.982	N/A	$1.817	$0.000	$0.000	N/A	$0.000
3	$0.835	$0.982	N/A	$1.817	$0.000	$0.000	N/A	$0.000
4	$0.835	$0.982	N/A	$1.817	$0.000	$0.000	N/A	$0.000
5	$0.835	$0.982	N/A	$1.817	$0.000	$0.000	N/A	$0.000
6	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
7	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
8	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

PRS Transportation Cost Impact per Cubic Foot [4]

(Benchmark)	RBMC (Intra-BMC)				RDU (Intra-BMC)			
Zone	Local	Intermediate	Long Distance	Total	Local	Intermediate	Long Distance	Total
Local	-$0.447	-$0.450	N/A	-$0.898	-$0.931	-$0.942	N/A	-$1.872
1-2	-$0.772	-$0.901	N/A	-$1.673	-$1.607	-$1.883	N/A	-$3.490
3	-$0.772	-$0.901	N/A	-$1.673	-$1.607	-$1.883	N/A	-$3.490
4	-$0.772	-$0.901	N/A	-$1.673	-$1.607	-$1.883	N/A	-$3.490
5	-$0.772	-$0.901	N/A	-$1.673	-$1.607	-$1.883	N/A	-$3.490
6	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
7	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
8	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Sources

[1]: Assumed average number of legs of transportation.

[1a]: Docket No. R2001-1, USPS LR-J-64, Attachment B, page 9.

[1b]: RBMC will travel from origin AO to origin SCF (1 local leg) and from origin SCF to origin BMC (1 intermediate leg).

[1b]: Since mailers pick up RDU at origin AO, it will not incur any transportation legs.

[2]: Docket No. R2001-1, USPS LR-J-64, Attachment B, page 11.

[3]: Ratio of PSRS Rate Category transportation legs [1b&1c] to benchmark [1a] multiplied by benchmark cost [2].

[4]: PSRS transportation cost per cubic foot [3] minus benchmark transportation cost per cubic foot [2].

Scanning Cost Estimates

PRS Rate Category	Transaction *Time (hours)* [1]	Wage Rate [2]	Piggyback Factor [3]	Cost per active scan [4]	Number of active scans [5]	Scan Cost [6]
RBMC - Machinable	0.0008	30.84	1.406	$0.04	0	$0.000
RBMC - Non-machinable	0.0008	30.84	1.406	$0.04	0	$0.000
RBMC - Oversize	0.0008	30.84	1.406	$0.04	0	$0.000
RDU - Machinable	0.0008	30.84	1.406	$0.04	2	$0.071
RDU - Non-machinable	0.0008	30.84	1.406	$0.04	2	$0.071
RDU - Oversize	0.0008	30.84	1.406	$0.04	2	$0.071

Sources
[1]: Docket No. R97-1, USPS T-22.
[2]: Docket No. R200101, USPS LR-J-55, Part VII.
[3]: Docket No. R2001-1, USPS LR-J-52, Attachment 10.
[4]: [1] x [2] x [3]. Follows methodology shown in Docket No. R2001-1 LR-J-135.
[5]: Assumption taken from USPS product description.
[6]: [4] x [5].

Postage Due Cost Estimates

RBMC	Value	
Average Time per piece (minutes)	6.02	1/
Average Time per piece (hours)	0.10	2/
Wage Rate	$30.77	3/
Piggyback Factor	1.457	4/
Postage Due Cost (for sampled parcels)	$4.50	5/
Sampling Ratio	1.5%	6/
Postage Due Cost (for all parcels)	$0.067	7/
RDU	$0.00	8/

Sources

1/: Attachment H, page 5, column 7.
2/: (1) / 60 minutes.
3/: Clerk and Mailhandler wage rate, LR-J-50, Chapter 9B.
4/: Docket No. R2001-1, USPS-T-15, Attachment 10, piggyback for mods 18 BUSREPLY.
5/: (2) x (3) x (4).
6/: Attachment G, page 2.
7/: (5) x (6).
8/: Assumed to be insignificant postage due costs since information from the scanned barcodes will generate a daily postage due manifest.

Postage Due Sampling Ratio

USPS Sample Size by Volume Range [1]

Volume		
Lower Bound	Upper Bound	Pieces
1	299	10% of pieces
300	1,999	30 pieces
2,000	3,999	40 pieces
4,000	5,999	50 pieces
6,000	7,999	60 pieces
8,000	9,999	70 pieces
10,000	up	100 pieces

Daily Return Volume (5-day week) [2]

BMC	Pieces	Sample Size	Sampling Ratio
	[2]	[3]	[4]
Site A	2,500	40	1.6%
Site B	3,200	40	1.3%
Site C	1,100	30	2.7%
Site D	2,200	40	1.8%
Site E	4,400	50	1.1%
Total	13,400	200	1.5%

Sources

[1]: Supplied by the Business Mailer's Support HQ division.

[2]: Average returns per BMC per 5-day week.
Data collected by Marketing for existing customer
Data was collected in the Fall of 2002.

Postage Due

	Location A [1]										
USPS Return Technician	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**	**J**	**K**
Pieces	30	30	30	30	30	30	30	30	30	30	30
Set Up	25	15	15	15	6	15	15	20	20	20	15
Selecting Samples	15	15	50	30	3	7	1	2	2	30	10
Weighing / Recording Samples	35	10	15	30	18	60	33	20	67	25	25
Matching Worksheet to Manifest	80	120	100	120	–	95	45	25	105	165	55
Validating Postage Statement to Manifest											
Transferring Postage Statement to Post Office											
Other (explanation)		135 meeting									
Post Office Tasks											
Permit System Entry of Postage Due	5	5	5	5	15	15	10	–	15	5	5
TOTAL											

urces
through [4]: Data collected directly through survey.
[5]: Only includes volume when have entered data.
[6]: Sum of each row.
[7]: [6] / [5]

Postage Due

	Location B [2]								
USPS Return Technician	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**
Pieces	30	30	30	30	30	30	30	30	30
Set Up	2	2	5	2	3	2	2	2	2
Selecting Samples	10	6	14	6	7	8	8	8	4
Weighing / Recording Samples	20	35	9	21	20	30	20	28	16
Matching Worksheet to Manifest	25	21	30	22	27	25	28	25	18
Validating Postage Statement to Manifest	5	4	9	6	8	5	6	5	4
Transferring Postage Statement to Post Office	5	5	5	6	5	5	36	5	4
Other (explanation)									
Post Office Tasks									
Permit System Entry of Postage Due	5	8	7	15	15	10	5	5	15
TOTAL									

urces

through [4]: Data collected directly through s
[5]: Only includes volume when have entered d
[6]: Sum of each row.
[7]: [6] / [5].

Postage Due

	Location C [3][1]							
USPS Return Technician	**A**	**B**	**C**	**D**	**E**	**H**[2]	**I**	**J**
Pieces	45	40	45	50	50	80	40	40
Set Up	5	10	15	5	20	5	10	10
Selecting Samples	10	10	10	15	10	20	5	10
Weighing / Recording Samples	35	30	30	30	25	120	35	30
Matching Worksheet to Manifest	30	30	30	30	30	30	30	30
Validating Postage Statement to Manifest								
Transferring Postage Statement to Post Office								
Other (explanation)	10 travel	5 travel	10 travel	10 travel	10 travel			
Post Office Tasks								
Permit System Entry of Postage Due	10	10	15	10	30			
TOTAL								

ources

[1] through [4]: Data collected directly through s
[5]: Only includes volume when have entered d
[6]: Sum of each row.
[7]: [6] / [5].

Postage Due

	Location D [4]												
USPS Return Technician	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**	**J**	**K**	**L**	**M**
Pieces	30	30	30	30	30	30	30	30	30	30	30	30	30
Set Up	55	35	25	25	30	30	21	29	30	31	30	20	30
Selecting Samples	34	30	–	31	45	25	34	–	63	45	33	32	40
Weighing / Recording Samples	38	28	35	85	70	55	87	65	65	70	37	85	75
Matching Worksheet to Manifest	80	70	70	95	75	67	92	75	80	75	65	90	105
Validating Postage Statement to Manifest	30	40	35	35	35	18	38	50	20	20	20	35	32
Transferring Postage Statement to Post Office													
Other (explanation)													
Post Office Tasks													
Permit System Entry of Postage Due													
TOTAL													

Sources

through [4]: Data collected directly through s
[5]: Only includes volume when have entered d
[6]: Sum of each row
[7]: [6] / [5]

Postage Due		Time	
	Volume	**Total**	**Per piece**
USPS Return Technician	[5]	[6]	[7]
Pieces			
Set Up	1380	674	0.488405797
Selecting Samples	1320	738	0.559090909
Weighing / Recording Samples	1380	1667	1.207971014
Matching Worksheet to Manifest	1350	2410	1.785185185
Validating Postage Statement to Manifest	660	460	0.696969697
Transferring Postage Statement to Post Office	270	76	0.281
Other (explanation)	260	180	0.692
Post Office Tasks			
Permit System Entry of Postage Due	800	245	0.306
TOTAL			6.018

Sources
[1] through [4]: Data collected directly through s
[5]: Only includes volume when have entered d
[6]: Sum of each row.
[7]: [6] / [5].

POSTAL RATE COMMISSION
DOCKET NO. MC2003-2
DECLARATION OF JENNIFER EGGLESTON

I hereby declare, under penalty of perjury, that:

The Direct Testimony of Jennifer Eggleston on Behalf of United States Postal Service, USPS-T-2, was prepared by me or under my direction;

if I were to give this testimony before the Commission orally today, it would be the same;

I also prepared the interrogatory responses which were filed under my signature and which have been designated for inclusion in the record of this docket;

and that if I were to respond to these interrogatories orally today, the responses would be the same.

Jennifer Eggleston

Date:

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RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS EGG
INTERROGATORIES OF AMERICAN POSTAL WORTKERS UNION

APWU/USPS-T2-1. Will every BMC be designated a RBMC? If not, plea
RBMCs. Will any facilities other than BMCs be designated as RBMCs? I
identify those facilities. Assume that these parcel return services did not
participation limits or the time limits associated with experimental status,
anticipate a different set of return facilities than the current set of RBMCs

RESPONSE:

It is my understanding that Parcel Return Service (PRS) RBMC wi
at all 21 BMCs. It is further my understanding that the Postal Service ha
determined which Auxiliary Service Facilities (ASFs), if any, might be incl
PRS RBMC experiment. Please see response to OCA/USPS-T2-4.

I do not know what impact expanding the experiment would have
return facilities designated as RBMCs. However, I have been informed b
that aside from exploring the possibility of extending the experiment to ex
there are currently no plans to add any other RBMC return facilities.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS EGGLESTON TO INTERROGATORIES OF AMERICAN POSTAL WORTKERS UNION, AFL-CIO

APWU/USPS-T2-3. Please list and describe changes in the transportation network affecting the transportation of parcels since the parcel transportation costs for docket R2001-1 were determined and indicate any adjustments to your cost analysis to account for those changes. If you have not fully adjusted costs to account for these changes, please describe and quantify the impacts or potential impacts on costs.

RESPONSE:

I am not aware of any major differences between the Parcel Post transportation assumptions used in Docket No. R2001-1, LR-J-64, and the current Parcel Post transportation environment. In addition, please see my response to APWU/USPS-T2-2.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS EGGLESTON TO INTERROGATORIES OF AMERICAN POSTAL WORTKERS UNION, AFL-CIO

APWU/USPS-T2-4. Please list and describe parcel transportation changes planned or anticipated during the term of this proposed parcel return services experiment and indicate any adjustments to your cost analysis to account for those changes. If you have not fully adjusted costs to account for these changes, please describe and quantify the impacts or potential impacts on costs.

RESPONSE:

I am not aware of any major planned or anticipated changes to parcel transportation during the term of this proposed experiment. Therefore, there is no need to adjust the model to account for future changes.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS EGGLESTON TO INTERROGATORIES OF AMERICAN POSTAL WORTKERS UNION, AFL-CIO

APWU/USPS-T2-5. Attachment B, page 2, line 3 of your testimony shows the assumed wage rate for FY03 for retail transactions. Is that wage rate an estimate made in docket R2001-1 of likely wages for FY2003? If so, have you compared the assumed wage rate with actual current wages and benefits paid in FY2003 and what did the comparison show?

RESPONSE:

The window service wage rate used in Attachment B, page 2, is the FY03 wage rate estimated in Docket No. R2001-1. No, I have not compared the wage rate to the "actual current wages and benefits paid in FY2003."

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS EGGLESTON TO INTERROGATORIES OF AMERICAN POSTAL WORTKERS UNION, AFL-CIO

APWU/USPS-T2-6. Footnote 1 on pages 2 and 3 of attachment B of your testimony cites a transaction time study used in R97-1 as the source of the estimate of minutes needed for the two retail transactions being modeled. Please detail any changes in retail equipment and processes since July 1997 that might impact the time estimates for these transactions. What adjustment did you make to account for those changes?

RESPONSE:

The data provided in pages 2 and 3 of attachment B is the most recent data available. I have not studied retail activities in great enough detail to know if there have been any changes in retail equipment and processes that have had a significant impact on transaction times of acceptance and weighing and rating a parcel.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS EGGLESTON TO INTERROGATORIES OF AMERICAN POSTAL WORTKERS UNION, AFL-CIO

APWU/USPS-T2-7. In your response to OCA/USPS-T1-4, you state that with only 21 BMCs, the percentage of packages requiring inter-BMC transportation will most likely be small. Consumers do not know which local post offices are associated with each BMC, therefore, it seems likely that along the dividing lines for the 21 BMC territories some packages will be deposited at post offices not associated with the BMC identified on the package. Please identify and provide any data or studies used to determine that the percentage of packages requiring inter-BMC transportation is so small that inter-BMC transportation and processing costs do not need to be included in the cost estimates.

RESPONSE:

My response to OCA/USPS-T1-4 was a hypothesis based on reasoning and logic, not a study. BMC service areas are quite large, and it is unlikely that a person would transport parcels over BMC service "lines". This was not meant to imply that an individual would be aware of which post offices are in a particular BMC service area. Instead, it is based off the assumption that for most people, all the nearby postal facilities will be in the same BMC service area.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS EGGLESTON TO INTERROGATORIES OF AMERICAN POSTAL WORTKERS UNION, AFL-CIO

APWU/USPS-T2-8. Please confirm that the number of pieces per container assumed in the conversion factors on page 6 of Attachment C came from a study used in docket R84-1. Is this the most recent study the Postal Service has available on the number of parcels per container? Have the containers, loading methods, or loading instructions changed since that study? Have the shapes and sizes of parcels changed since 1984? *Please identify any changes and any adjustments made to account for those changes in your calculations.*

RESPONSE:

Not confirmed for the actual numbers. Please see errata filed on June 19, 2003.

The original conversion factor estimates are derived from the study produced for Docket No. R84-1. However, the conversion factors have been adjusted over time to account for changes in the average cubic feet per piece of Parcel Post.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS EGGLESTON TO INTERROGATORIES OF AMERICAN POSTAL WORTKERS UNION, AFL-CIO

APWU/USPS-T2-9. In Attachment C, page 3, you provide arrival and dispatch profiles for parcels at various types of postal facilities. These profiles appear to be based on information presented in R97-1. Are these profiles based on current arrival and dispatch schedules? If not, what year of data was used for those calculations? Please explain how the percentages were calculated.

RESPONSE:

As shown on Attachment C, page 3, these arrival and dispatch profiles were based on a study prepared for Docket R97-1. It is my understanding that the study took place in June, 1996. The study is documented in Docket No. R97-1, LR-J-131.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS EGGLESTON TO INTERROGATORIES OF AMERICAN POSTAL WORTKERS UNION, AFL-CIO

APWU/USPS-T2-10. On page 5 of your testimony you state that different mail flow models were produced for each of the three RBMC mail processing categories. Please explain the source and time period of the information used to produce each of those mail flow models.

RESPONSE:

The mail processing models were developed by making adjustments to the Parcel Post mail flow models. The adjustments were made in conjunction with witness Gullo, in order to match the product definition. These models were adjusted over time to account for changes in the product definition or when new data was available. The majority of these changes came through either witness Gullo or through co-functional workgroup meetings. For example, at one meeting it was decided that USPS would be responsible for loading RBMC parcels, but not RDU parcels. So the model was adjusted to account for this decision. I believe the development began around July 2002, and revisions to the model continued up until the filing of the case.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS EGGLESTON TO INTERROGATORIES OF AMERICAN POSTAL WORTKERS UNION, AFL-CIO

APWU/USPS-T2-11. In your response to APWU/USPS-T2-2 you state that you are not aware of any major differences between the test year Parcel Post mail processing assumptions used in docket R2001-1, LR-J-64 and the current mail processing environment. Many of the productivities used in LR-J-64 from R2001-1 seem to come from docket R97-1, FY93 PIRS and the average of 1995-2000 PIRS data. Is it your opinion that these productivities accurately reflect the processing environment today, or have other adjustments been made to account for changes between those time periods and 2003?

RESPONSE:

I do not know of any changes that would significantly impact the productivities since the filing of R2001-1, LR-J-64. It should be noted that the model does include the cost impact of implementing the Singulate, Scan, and Induction Units (SSIUs) on the secondary parcel sorting machines. It is my opinion that the productivities are a reasonable estimate of the current mail processing environment. It should further be noted that it is my opinion that these are the productivities that should be used in this case, that these productivities are consistent with the data used to develop the Parcel Post rates.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS EGGLESTON TO INTERROGATORIES OF AMERICAN POSTAL WORTKERS UNION, AFL-CIO

APWU/USPS-T2-12. The package service mail processing costs per piece for FY2002 as estimated in R2001-1 (cost segment 3.1) appear to be noticeable higher than the actual package service mail processing costs per piece from the Postal Service version of the 2002 CRA (even after making an adjustment for the difference in attributable cost coverage between the two sets of costs). YTD 2003 mail processing compensation costs per piece appear to have declined quicker than anticipated in R2001-1. Have you analyzed these trends in actual mail processing costs? If so, have you attempted to reconcile those changes with the estimates of costs avoided presented in this proceeding?

RESPONSE:

I do not understand what you mean by "YTD 2003 mail processing compensation costs per piece". However, if you are simply referring to Parcel Post mail processing costs, there are at least two reasons why Parcel Post mail processing costs, as a subclass, were lower in the FY2002 CRA than previous years.

First, it is my understanding that Parcel Post Destination Delivery Unit (DDU) volume has continued to grow at a fast rate. Since the CRA only shows costs for the Parcel Post subclass, and not by rate category, the average unit cost shown in the CRA will decline as Parcel Post DDU volume grows in proportion to total Parcel Post volume.

Secondly, it is my understanding that there was a major methodological change between how attributable costs were calculated in the 2002 CRA and how they were calculated in Docket No. R2001-1. It is my understanding that the 2002 CRA was developed using a new methodology of volume variability. It is further my understanding that one of the by-products of using this new volume variability method is that total Parcel Post attributable costs will be lower than they would be using the old USPS-version of volume variability.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS EGGLESTON TO INTERROGATORIES OF AMERICAN POSTAL WORTKERS UNION, AFL-CIO

Since the purpose of my cost model is to provide witness Kiefer with cost data consistent with the data provided in Docket R2001-1, there was no need to compare the mail processing costs provided in Docket R2001-1 to the FY2002 CRA.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS EGGLESTON TO INTERROGATORIES OF AMERICAN POSTAL WORTKERS UNION, AFL-CIO

APWU/USPS-T2-13. In your response to APWU/USPS-T3-2 you state "it is my understanding that APPS, like its predecessor, will be used primarily to sort bundles and 'non-Package Services' parcels." In a September 24, 2002 press release by Lockheed Martin Distribution Technologies, Tom Day, the U.S. Postal Service's vice president of Engineering is quoted as saying "The Automated Package Processing System is an essential element in our strategic plans to enhance customer service in the highly competitive package delivery market." Does the package delivery market referred to by Mr. Day include any of what the Postal Service generally refers to as Package Services or does it primarily refer to non-Package Service parcels and bundles?

RESPONSE:

I do not know what Mr. Day was specifically referring to in his press release on September 24, 2002. It's possible he was referring to Priority Mail parcels. However, it is my understanding that the current plan for the APPS is that it primarily will be used to sort non-Package Services parcels and bundles.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS EGGLESTON TO INTERROGATORIES OF AMERICAN POSTAL WORTKERS UNION, AFL-CIO

APWU/USPS-T2-14. In your response to APWU/USPS-T3-2 you state "the predominant impact of the APPS implementation on Package Services parcels will be the APPS machines deployed to Auxiliary Service Facilities (ASFs). Since ASFs sometimes perform the function of a BMC, the APPS may potentially be used in these facilities to sort Package Services parcels." Is it your understanding that APPS machines deployed to BMCs will not be used to sort any Package Services parcels? Is it your understanding that APPS machines deployed to PD&Cs will not be used to sort any Package Services parcels? Is it your understanding that APPS machines deployed to BMCs and PD&Cs will not be used to sort the returned parcels?"

RESPONSE:

It is my understanding that the current plan is that APPS machines deployed to both BMCS and P&DCs will primarily be used to sort non-Package Services parcels and bundles. Therefore, it is also my understanding that Package Services returns will rarely by sorted on the APPS machines deployed to BMCs and P&DCs.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS EGGLESTON TO INTERROGATORY OF AMERICAN POSTAL WORTKERS UNION, AFL-CIO, REDIRECTED FROM WITNESS KIEFER

APWU/USPS-T3-2. Please provide details about the operational and cost impacts of the Automated Package Parcel Sorter System on returned parcels. What cost adjustments did you make for the introduction of the APPSS. If you did not fully adjust your calculations for the APPSS, please explain your reasons.

RESPONSE:

It is my understanding that the Automated Package Processing System (APPS) is primarily a replacement for the Small Parcel Bundle Sorter (SPBS). It is further my understanding that APPS, like its predecessor, will be used primarily to sort bundles and "non-Package Services" parcels.

The predominant impact of APPS implementation on Package Services parcels will be the APPS machines deployed to Auxiliary Service Facilities (ASFs). Since ASFs sometimes perform the function of a BMC, the APPS may potentially be used in these facilities to sort Package Services parcels. It is my understanding that four of the seven ASFs are scheduled to receive an APPS machine. The cost impact on Parcel Post, and other Package Services, will depend on how many parcels are actually sorted on the APPS and how these parcels were sorted prior to APPS implementation.

It is my understanding that estimated cost savings associated with the APPS are not available on a subclass basis. However, the relative size of the impact can be discussed by estimating the potential Parcel Post volume that will be impacted by AAPS implementation. Parcel Post volume at the four ASFs scheduled to receive an APPS comprised 2.8 percent of the total Parcel Post volume at all BMCs and ASFs. In addition, it is estimated that ASF's perform the role of BMCs for approximately 36 percent of their parcel volume (Docket No. R2000-1, USPS-T-26, Attachment Y,

page 2). Therefore, using these data as a ballpark estimate, implementing APPS at four ASFs could potentially impact 1.0 percent (0.36 x 0.028 = 1.0) of Parcel Post volume. Given that the majority of non-machinable Parcel Post and the majority of Parcel Post DDU will not be impacted by the APPS, this percentage is most likely overstated. While this exercise should not be used as a pin point estimate of the impact of APPS on Parcel Post costs, it can be considered an indication that APPS will most likely not have a significant impact on Parcel Post costs.

I did not make any adjustments to the cost model to account for APPS. In general, my testimony is designed to provide witness Kiefer with cost savings estimates that are consistent with the cost estimates produced in Docket No. R2001-1, LR-J-64, so that he can develop discounts that have the same cost base as the underlying rates from which the discounts are subtracted. I see no reason to depart from the general rule, especially given that there is no reason to believe that APPS will have a significant impact on Parcel Post costs.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
JENNIFER EGGLESTON TO INTEROGATORIES OF THE
OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T2-1. The following refers to your testimony, Attachment C, page 6, footnotes 7 and 9. Please provide a copy of Docket No. R84-1, exhibit USPS-14I, as referenced in your Attachment.

RESPONSE:

Footnotes 7 and 9 in Attachment C, page 6 are incorrect. Footnote 7 should read "Docket No. R2000-1, USPS-T-26, Attachment A, page 6, column 8". Footnote 9 should read "Docket No. R2000-1, USPS-T-26, Attachment A, page 6, column 10". The electronic version of that attachment is filed as Docket No. R2000-1, USPS LR-I-171. Errata will be filed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
JENNIFER EGGLESTON TO INTEROGATORIES OF THE
OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T2-2. The following refers to your testimony, Attachment C, page 6, footnotes 8 and 10. Please provide a copy of the "Pieces per container in Docket No. R84-1" and all related worksheets showing the derivation of the pieces per container as referenced in your Attachment.

RESPONSE:

The reference to "pieces per container in Docket R84-1" refers to the numbers cited in footnotes 7 and 9. Please see response to OCA/USPS-T2-1. Errata will be filed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
JENNIFER EGGLESTON TO INTEROGATORIES OF THE
OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T2-3. The following refers to your testimony, Attachment C, page 6, footnote 4. Please confirm that the calculation of column 4 for machinable container types is: (column 3 / column[12]* air factor) and not: (column 3 / column[13] * air factor). If you are unable to confirm, please show the derivation of each column 4 value for machinable container types. Please cite each source relied upon and provide copies of all source documents that have not been already filed in this docket.

RESPONSE:

Confirmed. There is a typo in footnote 4. It should read: (column 3/ column[12]*air

factor). Errata will be filed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
JENNIFER EGGLESTON TO INTEROGATORIES OF THE
OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T2-4. The following refers to your testimony, Attachment C, page 10.

a. Please explain the source of the units/hour for "move containers to dock" – (28.0). If 28.0 is a calculated value, please show its derivation, cite each source relied upon and provide copies of all source documents that have not been already filed in this docket.
b. Please explain the source of the units/hour for "move pallets" – (14.0). If 14.0 is a calculated value, please show its derivation, cite each source relied upon and provide copies of all source documents that have not been already filed in this docket.

RESPONSE:

(a) The move productivity of 28.0 is calculated as the productivity of a crossdock multiplied by 4. For lack of better data, the move operation at a DDU is assumed to be four times the speed of a crossdock operation at a Bulk Mail Center (BMC). The rationale is that delivery units/associate offices tend to be much smaller than BMCs. The crossdock productivity is shown in Attachment C, page 2. It is the average crossdock productivity (6.659) contained in Docket No. R97-1, LR-H-132, page 329 divided by the volume variability estimate (0.95) calculated in Docket No. R2001-1, USPS-T-14, Table 1.

(b) The move productivity of 14 is calculated as the crossdock productivity (7.0) multiplied by 2. For lack of better data, a move operation at both a BMC and a plant are considered to be half the distance (or twice as fast) as a crossdock operation. Please see response to (a) for documentation of the crossdock productivity.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
JENNIFER EGGLESTON TO INTEROGATORIES OF THE
OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T2-5. Your testimony references AOs (associate offices) and DUs (delivery units). Please explain the difference between an AO and a DU and provide examples of each.

RESPONSE:

For the purpose of my testimony, Associate Offices (AOs) and delivery units (DUs) refer to what the public normally refers to as a "Post Office." I tend to use the term interchangeably, however; I generally use the term AO when I am referring to the origin facility where the general public enters the mail and DU when I am referring to the destination facility where the carrier stations are located. For example, since the Preston King Station located at 5877 Washington Blvd, Arlington Virginia has both a retail window and carriers, it would be considered both an AO and a DU in my testimony.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
JENNIFER EGGLESTON TO INTEROGATORIES OF THE
OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T2-6. Please refer to your testimony at page 1, lines 6 – 8. Please explain the difference between the "Parcel Select Return Services (PSRS) product" and "the more general Parcel Return Services (PRS) product."

RESPONSE:

It is my understanding that the "Parcel Return Services (PRS)" product refers to the umbrella return service that includes both Bound Printed Matter and Parcel Post returns. The "Parcel Select Return Service (PSRS)" product refers to the Parcel Post portion of PRS.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
JENNIFER EGGLESTON TO INTEROGATORIES OF THE
OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T2-7. At page 4 of your testimony, you allude to two modifications that "are in response to issues raised during the litigation of Docket No. R2001-1." Please give citations to the Docket No. R2001-1 record and Opinion that facilitate identification and resolution of the controversy.

RESPONSE:

What I was referring to on page 4 were two errors that I discovered either in the process of answering interrogatories for Docket No. R2001-1, or when I was reviewing the litigation of the case to plan for future improvements. A better description might be "fixing errors." While the general plan for the PSRS case was to use the same cost models filed in Docket R2001-1, I did not want to carry over into this case previous errors that I was aware of.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
JENNIFER EGGLESTON TO INTEROGATORIES OF THE
OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T2-9. Please refer to your testimony at page 5, lines 7 – 12, and lines 19 – 20. Please explain where in your workpapers you have accounted for the costs of moving parcels to a storage area and retrieving the parcels. If you have not accounted for these costs, why not?

RESPONSE:

The implicit assumption in the cost model is that the staging area is near enough to the dock, that the "load" operation includes moving the parcel from the staging area onto the truck. In reality, the Postal Service has not had a history of "storing" parcels for mailers, so this may not be the case. As discussed in my response to OCA/USPS-T1-23 (redirected to me from witness Gullo), we will be comparing the actual process flows to the cost model assumptions during the experiment.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
JENNIFER EGGLESTON TO INTEROGATORIES OF THE
OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T2-12. Please refer to your testimony at page 6, line 16. Is the "destination plant" that you refer to a Processing and Distribution Center or Sectional Center Facility? Please discuss.

RESPONSE:

For the purpose of my testimony, the terms "plant," "processing and distribution center," and "sectional center facility" are used interchangeably.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
JENNIFER EGGLESTON TO INTEROGATORIES OF THE
OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T2-13. At page 2 lines 18 through 23, you state:

> In addition, since customers want to ensure that they receive credit for the returned mail piece, it is unlikely that a large number of customers will leave a PSRS parcel for their carrier.

a. Please explain what "credit" customers receive by taking a PSRS parcel to the USPS window service clerk as opposed to what the customer obtains by entering the PSRS parcel into the postal mail stream via a collection box or by giving the parcel to the carrier.
b. If no credit is given to a customer who enters a PSRS parcel at a USPS window, please explain what you meant by receiving credit for the returned mail piece.

RESPONSE:

a&b. I did not mean to imply that a customer would receive any type of credit from the shipper/mailer at the time of entry. I simply meant to hypothesize that customers would want to ensure that the returned merchandise was entered into the mailstream unharmed (*e.g.*, not stolen, not rained on) so that it would reach the mailer, who would then credit the customer for the returned merchandise.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
JENNIFER EGGLESTON TO INTEROGATORIES OF THE
OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T2-14. The following questions are meant to clarify terminology usage. Frequently in your testimony, you refer to RBMC and RDU pieces entered at an AO. One example is at page 5, lines 4 through 5. You state: "[f]or purposes of the mail flow model, it is assumed that 100 percent of RBMC is entered at the origin AO." Another example is at page 5 line 18. You state "100 percent of RDU is entered at the origin associate office (AO). When you are referring to the origin AO, are you referring to: (1) the parcel as it initially passes from the shipper through the delivery AO and is subsequently delivered to the consumer's address, or (2) the AO where the RBMC or RDU parcel is re-entered into the mail stream by the consumer and subsequently returned to or picked up by the shipper? Please explain.

RESPONSE:

In both cases, I meant (2). For further clarification, my testimony focuses on the cost of a PSRS parcel (both RBMC and RDU). I do not consider a parcel to be a "PSRS parcel" until the consumer puts a PSRS label on the parcel and is in the process of putting the parcel back into the mailstream to be returned to the shipper.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
JENNIFER EGGLESTON TO INTEROGATORIES OF THE
OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T2-15. The following interrogatory refers to your testimony, Attachment C, page 6 of 15, footnote 6.

a. Please confirm that you made the assumption that pallets, postal paks and IHCs would be 85 percent full when they were returned from the RBMC to the mailer. If you are unable to confirm, please explain.
b. Please confirm that you made the assumption that pallet boxes would be 88 percent full, on average. If you are unable to confirm, please explain.
c. During the RBMC and the RDU experiment, please explain what steps the Postal Service intends to take to verify the validity of the 85 percent full and 88 percent full values in an operational environment.

RESPONSE:

a. Confirmed.

b. Confirmed.

c. The Postal Service plans to look at the volume per shipper to see if volumes are large enough to justify "full" containers. In addition, we plan to qualitatively monitor both RBMC and RDU to see if the operations are consistent with the cost assumptions. This includes the assumptions about the fullness of containers. If it appears to be needed, we will conduct a more quantitative study.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
JENNIFER EGGLESTON TO INTEROGATORIES OF THE
OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T2-16. The following interrogatory refers to Attachment C, pages 10 and 2 of your testimony. On page 10, for RMBC machinable mail, the units per hour for sorting parcels to a mailer is 125.4. This is based upon the productivity (units per Wkhr) for "Sack and Tie" operations shown on page 2 of Attachment C. Please explain how you determined that a unit per work hour parcel sort for a "Sack and Tie" operation is a suitable proxy for sorting RMBC machinable parcels to a mailer.

RESPONSE:

It is my understanding that the "sack and tie" operation is where parcels are manually sorted into sacks (or other containers) at the end of a parcel sorting machine run-out at a BMC. This operation is needed for those destination separations that do not have enough volume to warrant their own run-out. Since RBMC machinable parcels will be first sent to a parcel run-out and then manually sorted to a finer level, it seemed appropriate to assume that the manual sort would be similar to the "sack and tie" operation.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
JENNIFER EGGLESTON TO INTEROGATORIES OF THE
OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T2-17. The following interrogatory seeks to clarify the method of calculating the cost differences between Intra-BMC, RBMC and RDU parcels. In your testimony, you indicate that RDU and RBMC parcels will incur less mail processing and transportation costs than an Intra-BMC parcel. RBMC and RDU parcels are picked up by the retailer or its agent; thus the USPS will not incur carrier delivery costs. Please explain where in your cost analysis you account for the carrier delivery cost savings. If you did not consider carrier delivery cost savings, please explain fully why you did not do so.

RESPONSE:

My analysis did not account for any potential carrier delivery cost savings. In keeping with my conservative approach to estimating cost savings, it was not deemed necessary to attempt such a calculation.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
JENNIFER EGGLESTON TO INTEROGATORIES OF THE
OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T2-18. This interrogatory is related to your answer to interrogatory OCA/USPS-T1-39f redirected to you from witness Gullo and interrogatory OCA/USPS-T1-41.

a. *Where in your cost analysis do you incorporate the cost, if any, of separating* an RDU parcel given to a carrier for return to the local post office to ensure that it is held at the unit for pick-up at the RDU?
b. Where in your cost analysis do you incorporate the cost, if any, of separating an RDU parcel returned to a local post office through a window transaction to ensure that it is held at the unit for pick-up at the RDU?

RESPONSE:

a. No additional costs were added because I did not believe there would be any additional significant costs. The carrier will simply place the parcel in one specific container. It is my understanding that there are some separations that exist today, although the number and type of separations may vary by post office.

b. No additional costs were added because I did not believe there would be any additional significant costs. The window clerk will simply have to place the parcel in one specific container. It is my understanding that there are some separations that exist today, although the number and type of separations may vary by post office.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
JENNIFER EGGLESTON TO INTEROGATORIES OF THE
OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T2-19. Please refer to Attachment D of your testimony, specifically to the information "# of pieces in Container (Pallet Box)."

a. Please confirm (separately, for i. – iv. below) that, for purposes of estimating storage costs, you have assumed that all PRS pieces will be stored in a Pallet Box, i.e.:
   i. Parcel Post
   ii. Bound Printed Matter
   iii. RDU
   iv. RBMC

b. If so, please state whether the Postal Service plans to store each of the above in Pallet Boxes.

c. If not, state what other types of containers may be used to store parcels at RDUs versus RBMCs. Also state whether the Parcel Post/BPM feature will cause storage to differ.

d. If other types of containers than Pallet Boxes may be used to store PRS parcels, please cite the conversion factors for such containers.

e. Footnote 1 of Attachment D cites Attachment C, page 6, as the source of the number of pieces per Pallet Box. If PRS storage Pallet Boxes tend to be less full that the average percentage figures set forth in column 6 of Attachment C, page 6, then is it not correct that the unit cost storage estimates you present in Attachment D will be higher than estimated? If your answer is negative, please explain.

RESPONSE:

a. i. Not Confirmed. I assume that you are referring to the benchmark intra-BMC Parcel Post. I did not estimate any storage costs specific to Parcel Post. I assumed the storage costs for RDU and RBMC were "over and above" the benchmark.

ii. Not Confirmed. My cost analysis does not provide any information on Bound Printed Matter.

iii. Confirmed that the storage costs use the pallet box dimensions to estimate storage costs.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
JENNIFER EGGLESTON TO INTEROGATORIES OF THE
OFFICE OF THE CONSUMER ADVOCATE

iv. Confirmed that the storage costs use the pallet box dimensions to estimate storage costs.

b. It is my understanding that RBMC parcels will most likely be stored in pallet boxes, but it is possible the container will vary by BMC and by shipper. The container will most likely vary by RDU site and by volume.

c & d. There are a wide range of containers that could potentially be used to store RBMC and RDU parcels. Please see attachment C, page 6 of my testimony for the conversion factors and container dimensions.

e. Yes, your assumption is correct. Storage costs are calculated by the square foot of floor space taken up by the container. If there were to be a lesser number of pieces in the container, there would be a greater estimated unit cost of storage.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
JENNIFER EGGLESTON TO INTEROGATORIES OF THE
OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T2-20. Please refer to Attachment H, pages 1 – 4, of your testimony.

a. Please explain whether the figures set forth for all lines and columns represent minutes or pieces, or both.
b. Separately identify the "minutes" figures from the "pieces" figures.
c. Explain how the data set forth on pages 1 – 4 sum separately to the figures set forth on page 5 (i.e., Volume, column 5; and Total Time, column 6).
d. What do you mean by the "Source" footnote that reads: "[1] through [4]: Data collected directly through survey?" What data are you referring to?
e. What do you mean by the "Source" footnote that reads: "[5]: Only includes volume when have entered data?"
f. Also explain "Source" footnotes [6] and [7].

RESPONSE:

a & b. The row labeled "pieces" represents pieces. All other rows represent minutes.

c. The total columns on page 5, represent sums from the rows of data shown on pages 1-4. Column 5 (Volumes) is a sum of the volumes from the row "volume", but it only includes volume from those columns that have a value for greater than zero for each row. For example, the row entitled "set up" includes all the volumes, because there is a time recorded at each site. The row entitled "selecting samples" does not include all the volumes, because a few surveys did not include time for that function. Column 6 (time) is a sum of all the minutes from each row on the first four pages.

d. I am referring to the data referenced in part (a) above. In other words, all the data that are shown in Attachment H, pages 1 through 4.

e. Please see the answer to part (c) above.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
JENNIFER EGGLESTON TO INTEROGATORIES OF THE
OFFICE OF THE CONSUMER ADVOCATE

f. While the hardcopy version of attachment H is 5 pages, the electronic copy of the attachment is in one spreadsheet. The term "row" refers to the spreadsheet "row", and therefore is meant to refer to all the data in all 5 pages of the attachment. Footnote [6] refers to the sum of all the data found in each row of Attachment H, pages 1 – 4. Footnote [7] is column [6] (Total Time) divided by column [5] (Volume).

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
JENNIFER EGGLESTON TO INTEROGATORIES OF THE
OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T2-21. Please refer to Attachment G, page 1, of your testimony. Should footnote 1 refer to page 5, rather than page 4? Please explain any negative answer.

RESPONSE:

Yes, errata will be filed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
JENNIFER EGGLESTON TO INTEROGATORIES OF THE
OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T2-22. Please refer to Attachment G, page 2, footnote 2, of your testimony. During the experiment will it be possible for the Postal Service to calculate the average number of "returns per BMC per 5-day week," per shipper, for all parcels routed through an RBMC based on actual return figures? Please explain any negative answer.

RESPONSE:

It is my understanding that it would be possible for the Postal Service to make this calculation.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
JENNIFER EGGLESTON TO INTEROGATORIES OF THE
OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T2-23. During the experiment will it be possible for the Postal Service to calculate the average number of returns per RDU, per shipper, per week for all parcels routed through an RDU, based on actual return figures? Please explain any negative answer.

RESPONSE:

Our information systems are being designed to do this.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
JENNIFER EGGLESTON TO INTEROGATORIES OF THE
OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T2-24. Please refer to Attachment H of your testimony. The data provided concern activities performed by "USPS Return Technician[s]."

a. Please describe the types of duties commonly performed by USPS Return Technicians.
b. To what craft do USPS Return Technicians belong?
c. Please confirm that USPS Return Technicians were the employees whose sampling activities were surveyed to produce the Attachment H data (described at page 9, lines 20 – 26, of your testimony). If you do not confirm, please explain.
d. What classes of mail were being sampled by technicians during collection of the Attachment H survey data?
e. Please list the 4 facilities referred to as "Location A," "Location B, "Location C," and "Location D" in Attachment H.
    i. If locations A, B, C, and D are shipper locations, please explain why you believe that these four locations are representative of shipper locations that will be visited by postal technicians during the course of the experiment.
    ii. For postal locations, give the plant name and precise location.

RESPONSE:

a. In general, the duties included in the survey are those used to audit a "returns manifest" when the mailer calculates postage due. The general tasks are sampling a portion of the total return volume, ensuring that the information gathered in the sample is correct on the manifest, and checking to see if the postage due is correct. This would include making adjustments to postage due as necessary.

b. The term "USPS Return Technician" is a generic term used to cover any postal employee who will perform the tasks included in the survey. Most typically, bulk mail technicians and postage due clerks would perform the tasks.

c. Confirmed.

d. Parcel Post and Priority. Only Parcel Post data was included in the cost model.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
JENNIFER EGGLESTON TO INTEROGATORIES OF THE
OFFICE OF THE CONSUMER ADVOCATE

e. While the sample is limited to four mailer sites, the sample is fairly geographically dispersed. Two of the sample sites are urban and two are suburban and they are spread out over three time zones. In addition, while the recorded times do vary by site, there is no reason to think that similar operations in other facilities would be significantly different.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
JENNIFER EGGLESTON TO INTERROGATORIES OF THE
OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T2-25. Please describe each of the types of activities performed and reported in Attachment H:

a. "Pieces"
b. "Set Up"
c. "Selecting Samples"
d. "Weighing/Recording Samples"
e. "Matching Worksheet to Manifest"
f. "Validating Postage Statement to Manifest"
g. "Transferring Postage Statement to Post Office"
h. List the "explanation[s]" designated as "Other"
i. "Post Office Tasks, Permit System Entry of Postage Due"
j. In your descriptions for a. – i. above, list any equipment that the technician used to perform the activities.
k. What is the "Worksheet" noted in part e. above? Who generates the "Worksheet"?
l. Who generates the "Postage Statement" noted in part f. above?
m. Does "Transferring Postage Statement to Post Office" involve travel by the technician to a facility different than Locations A - D? Please explain.
n. Are the "Post Office Tasks" performed in Locations A – D, or facilities different from these locations? Please explain.

RESPONSE:

a. "Pieces" refers to those packages selected for sampling.

b. "Set up" refers to the time spent getting ready. This includes unlocking the detached mail unit, getting the forms, zone charts and rate charts to be used, determining which door the truck is positioned at, opening the truck door, clearing a workspace, etc.

c. "Selecting Samples" refers to the time spent selecting the parcels to be sampled. This includes determining the number of parcels to be sampled from the volumes on the prior day's manifest and the actual physical process of randomly picking out the samples from the containers coming off the truck.

d. "Weighing/Recording Samples" includes the time spent weighing the parcels sampled, and recording those weights on the appropriate form (Manifesting Worksheet),

along with the zone and class of mail and then returning the samples randomly to the containers. The postage is then calculated and added to each item on the worksheet.

e. "Matching Worksheet to Manifest" is the process by which the postal employee checks the manifest to see if (1) the manifest includes all sampled parcels and (2) the information on the manifest (weight/zone/class/postage) for each is correct.

f. "Validating Postage Statement to Manifest" consists of ensuring that the postage amount the mailer is paying is the same amount that appears as the total on the bottom of the manifest.

g. For mailer sites not having a USPS permit system, the postage document must be hand carried to the post office for the accounting transaction to take place.

h. The "other" category only includes travel time that was put into place due to this specific function (checking the manifest).

i. This is the actual process of entering the postage transaction into the Permit system.

j. At the time of the survey, the process was performed in a manual mode in which the clerks used hardcopy forms, pencils and calculators. Parts of this process have been automated and new data will be collected during the experiment on the impact of these improvements.

k. The "worksheet" is the piece of paper used to record the weight, class, zone and postage of the packages sampled as discussed in subpart d.

l. The mailer generates the postage documentation.

m. Yes.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
JENNIFER EGGLESTON TO INTEROGATORIES OF THE
OFFICE OF THE CONSUMER ADVOCATE

n. "Post Office Tasks" are performed at the post office that serves the mailer's facility where the sampling is performed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JENNIFER EGGLESTON TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE, REDIRECTED FROM WITNESS JOHN GULLO

OCA/USPS-T1-2. Please refer to page 3, line 17 of your testimony. You define the RBMC ("Return Bulk Mail Center") as the center that services the ZIP Code where the returned parcel is entered into the mailstream.

e. Please confirm that the cost analysis does not include the cost of inter-BMC transportation and handling (both at the dock and for mail processing) that would be required to handle those packages that are returned from outside of the service area of the addressed RBMC.

RESPONSE:

Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JENNIFER EGGLESTON TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE, REDIRECTED FROM WITNESS JOHN GULLO

OCA/USPS-T1-4. The following interrogatory refers to your testimony at page 4, lines 5 through 7. Assume that a consumer returns an RBMC designated parcel to a post office that is outside of the designated RBMC service area.

a. Please explain fully what additional mail-processing and transportation costs will be incurred by the Postal Service in handling the assumed RBMC parcel.

RESPONSE:

a. The assumed RBMC parcel would incur the additional costs of being transported between the origin BMC and the destination BMC and would incur additional mail processing costs at the origin BMC. While these costs have not been specifically studied for this product, the additional transportation costs would be similar to the "long distance" costs estimated for inter-BMC transportation in Docket No. R2001-1, LR-J-64, Attachment B, page 10, columns 10 and 11.

For the assumed RBMC parcel, the additional mail processing costs at the origin BMC would be similar to the inter-BMC Parcel Post origin BMC costs estimated in LR-J-64, Attachment A, pages 8, 9 and 10. However, since the assumed parcel is going through two BMCs it could actually incur "different" costs at the destination BMC than the costs estimated in the RBMC cost model. For example, a machinable parcel may be entered directly into the secondary parcel sorting machine instead of entered directly into the primary parcel sorting machine.

It should be noted that if one were to believe that these costs should be estimated for the RBMC product, one would have to weight the additional costs by the percentage of parcels entered outside of the RBMC service area. Since there are only 21 BMCs in the country, this percentage will most likely be small if not insignificant.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JENNIFER EGGLESTON TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE, REDIRECTED FROM WITNESS JOHN GULLO

OCA/USPS-T1-9. The following interrogatory refers to your testimony at page 8, lines 5 through 7.

> c. If your response to part b of this interrogatory is affirmative, where has the cost of the additional USPS employee time and the employee's transportation cost to and from the shipper been factored into the cost of offering the Parcel Select Return Service?

RESPONSE:

c. The survey used to calculate postage due verification did provide a section for items such as travel. As shown in USPS-T-2, Attachment H, page 3, the survey data included one location that incurred travel time, Location C. This time is included in the "average time per piece" estimate for postage due shown in USPS-T-2, Attachment G, page 1. Therefore, travel time is included in the RBMC cost estimate. The time spent traveling is the only "travel cost" included in the cost model.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JENNIFER EGGLESTON TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE, REDIRECTED FROM WITNESS JOHN GULLO

OCA/USPS-T1-23. In listing the goals of the experiment on page 17 of your testimony, you do not cite collecting cost data as one of the goals of the experiment. Is it your opinion that all of the relevant costs are accurately calculated and that there is no need to improve the cost data for the return service based on actual operations? Please explain.

RESPONSE:

Witness Gullo does not mention collecting cost data because there is no plan to collect specific quantitative cost data. This does not mean that we will not be reviewing the assumptions used in the cost model. On page 15 of his testimony, witness Gullo mentions that we will evaluate whether the process flows match those used to estimate costs. If it is determined that the actual process flows or other cost assumptions differ from the cost model, we will adjust the cost model accordingly before (and if) we file for a permanent classification. This may include collecting qualitative or quantitative data.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JENNIFER EGGLESTON TO INTEROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE, REDIRECTED FROM WITNESS JOHN GULLO

OCA/USPS-T1-39. Your testimony at page 7, lines 15-16, indicates RDU return parcels will be captured at the post office identified on the return label.

. . . .

f. Please indicate whether the cost of reviewing each incoming piece of parcel and flat collection mail to locate each RDU piece from among the collection mail is included in the cost analysis for Parcel Return Services.

RESPONSE:

f. There are no costs associated with "reviewing each incoming piece of parcel and flat collection mail to locate each RDU piece from among the collection mail." As stated by Witness Gullo in his answer to part (a), parcels placed into a collection box will not be culled from the mailstream. As discussed by witness Gullo on page 12 of his testimony, any RDU parcel not captured at the origin Post Office would be sent to the BMC and the mailer would be charged the RBMC rate.

United States Postal Service

James M. Kiefer
(USPS-T-3)

USPS-T-3

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

EXPERIMENTAL PARCEL RETURN SERVICES

Docket No. MC2003-2

DIRECT TESTIMONY
OF
JAMES M. KIEFER
ON BEHALF OF
UNITED STATES POSTAL SERVICE

CONTENTS

LIST OF ATTACHMENTS

AUTOBIOGRAPHICAL SKETCH

My name is James M. Kiefer. I am an Economist in Pricing and Classification, United States Postal Service. Since joining the Postal Service in 1998, I have worked on issues related to Package Services, Special Services, nonletter-size Business Reply Mail, and other pricing issues.

Prior to joining the Postal Service I worked for the Vermont Department of Public Service, first as a Power Cost Analyst, and later as a Planning Econometrician, where I investigated utility costs, rates, load forecasts and long-term plans. I also developed long range electric generation expansion plans for the State, performed economic impact studies, and contributed to a long-term energy use plan for Vermont. I have testified as an expert witness before the Vermont Public Service Board on many occasions on economic issues involving cost of power, generation expansion plans, least cost integrated planning, load forecasts, and electric utility rates.

Before working in Vermont, I was a Principal Analyst with the Congressional Budget Office. My past work experience also includes work with the U.S. Department of Commerce and work in production management in private industry.

I earned a BA in Chemistry from the Johns Hopkins University, an MBA from Rutgers University, and an MA degree in International Relations from the Nitze School of Advanced International Studies. I then returned to Johns Hopkins in Baltimore to study Economics where I earned further graduate degrees in 1983 and 1986.

I have provided testimony before the Postal Rate Commission previously in Docket No. MC99-1, Docket No. MC99-2, Docket No. R2000-1, Docket No. R2001-1 and Docket No. MC2002-1.

I. PURPOSE OF TESTIMONY

My testimony presents the Postal Service's pricing and classification proposals for its Parcel Return Services (PRS): Parcel Select Return Service (PSRS) and Bound Printed Matter Return Service (BPMRS). The testimony describes the design of the new rate and classification changes, and discusses the financial impacts of my proposals.

In developing my testimony I have relied on the testimony and work of other witnesses. These witnesses are identified in my testimony and workpapers. Detailed citations are given in the workpapers, which are attached to my testimony.

II. SUMMARY OF CLASSIFICATION AND PRICING PROPOSALS

In my testimony I propose the establishment of two new sets of worksharing rate categories within Package Services. For the Parcel Post subclass I propose Parcel Select Return Service, consisting of worksharing rates for returned parcels that are retrieved in bulk by shippers or their agents at designated Postal Service delivery units or bulk mail centers. For returns retrieved in bulk at delivery units (Return Delivery Unit, or RDU, parcels) I propose a flat rate of $2.00 per parcel. For parcels retrieved in bulk at the first BMC they reach (Return BMC, or RBMC, parcels), I propose rates that are $0.86 to $1.51 below the non-workshared rates for regular-sized parcels.

In the Bound Printed Matter subclass I propose Bound Printed Matter Return Service. For parcels retrieved in bulk at the first BMC they reach (RBMC parcels), I propose rates that are $0.24 below the non-workshared BPM rates.

III. RATIONALE FOR CLASSIFICATION AND PRICING PROPOSALS

A. Pricing Issues

The proposed Parcel Return Services are products with some novel characteristics that raise several pricing issues for consideration. While Parcel Return Services are commercial postal services, they differ in several aspects from most existing commercial products.

- Commercial mail is commonly mailed in bulk and delivered individually. PSRS and BPMRS mail pieces will be entered individually and retrieved in bulk.
- PSRS and BPMRS mail pieces will receive significantly reduced mail processing, handling and transportation. This applies particularly to the PSRS RDU product.
- For the RBMC products, the mail will be weighed and rated by the recipient or the recipient's agent. This form of rating is atypical for most non-bulk-entered mail.
- Unlike outbound commercial products, PRS requires pickup, and as such, could pose space utilization problems if returns are not picked up promptly.

The Parcel Return Services have these distinguishing features, yet they remain forms of worksharing, similar in many respects to other forms of worksharing offered by the Postal Service. This combination of similar and diverse features suggests that pricing the PSRS and BPMRS appropriately may require a blend of conventional and novel pricing approaches.

The Postal Service is requesting approval of the PSRS and BPMRS as experimental rate categories. In this case, as in other experimental cases, the information available to us is limited. We do not have the usual kind of detailed

information on the total demand for each of the PSRS and BPMRS products. Nor do we have detailed data showing how demand may break down by weight and zone. These limiting factors, too, must be considered in pricing Parcel Return Services products.

While experimental rate and classification requests may often arise because the Postal Service faces certain data deficiencies, the temporary nature of experimental classifications offers some countervailing pricing benefits. Experiments can provide useful avenues for the Postal Service to test the feasibility of different rate designs. At the same time, experiments limit risk in the case where unanticipated conditions and circumstances adversely affect some elements of the proposed rate designs.

B. Pricing Approaches

The Parcel Select Return Service consists of two products, Return Delivery Unit (RDU) and Return BMC (RBMC) Parcel Post. The Bound Printed Matter Return Service has only the RBMC product.[1] Witness Gullo describes the salient characteristics of each of these products (USPS-T-1). Because their characteristics differ significantly, each product requires its own pricing approach.

1. PSRS RDU Product Pricing

The RDU product is the simpler of the two new PSRS services from the perspective of mail processing and transportation. Witness Gullo describes the simplified mail flow for RDU parcels (USPS-T-1, Section VII). Since there is no transportation required and minimal mail processing of RDU parcels following acceptance, it makes sense to avoid the complexities of pound-by-pound rates.

[1] BPM mailers will, of course, be eligible to use the PSRS RDU service and rates if they choose.

My pricing for RDU parcels calls for a single flat rate for all weights and sizes, with the exception of oversized parcels which have their own rate design. This novel form of simplified pricing recognizes two features of the RDU product beyond merely the absence of transportation or machine processing:

- The Postal Service will rate (that is, calculate the postage for) these parcels. With a single price, rating can be accomplished for all regular-sized parcels without weighing or measuring, simply by counting the number of parcels being retrieved by each PSRS customer.
- Simplicity in the rate design makes the product easy to understand, both for Postal Service personnel and for customers.

Proposing a single averaged price for all regular-sized RDU parcels does carry some risk that the service might attract predominantly larger and heavier pieces. While the Postal Service does not believe that large, heavy pieces will dominate the RDU service, it is aware of the possibility. Since there is little handling or transportation of these pieces, costs should not be affected much, if at all.

The Postal Service does not want its delivery facilities to become long-term holding areas for returned parcels, particularly for large parcels, since space is typically tight at these units. Witness Gullo describes the pickup schedules that customers will be required to observe to avoid this problem (USPS-T-1, Section VII). During the experiment, the Postal Service will monitor the situation at RDUs where the returned parcels will be picked up, and modify pickup schedules as needed to eliminate any space problems that arise. If monitoring shows that the size and weight profile has tilted unacceptably toward large and heavy parcels, the Postal Service could adjust the rate design accordingly at the time it may request a permanent classification.

2. PSRS RBMC Product Pricing

The RBMC product is more complex and incurs more mail processing and transportation costs than the RDU product. Witness Gullo describes the transportation and handling of RBMC parcels in detail (USPS-T-1, Section VII). In light of the increased handling and the possible range of distances traveled, it is not feasible to achieve the same level of pricing simplification as I am proposing for RDU parcels. Because RBMC parcels do incur some transportation and several handlings, it is appropriate for pricing to recognize parcel size, distance traveled, and machinability as cost drivers in RBMC pricing.

Nevertheless, there are still ways to simplify the rate design. For example, we can use a fixed rate differential between RBMC and benchmark rates (Parcel Post Intra-BMC zoned rates), at least for small and medium-size parcels. This approach is a reasonable response to the following factors:

- We have only limited information to suggest the way RBMC pieces, and their avoided costs, might vary between weight steps and zones.
- Smaller parcels are less likely to expose the Postal Service to space problems than larger parcels.

As with the RDU product, the Postal Service will monitor the use of the RBMC product during the term of the experiment. This monitoring should reveal any problems that have arisen that might be attributable to pricing. Any necessary adjustments to the rate design would then be made if a permanent classification were requested.

3. BPM RBMC Returns Pricing

Bound Printed Matter parcels sent by merchants to customers currently can be returned using BPM single piece rates. Unlike Parcel Post rates, the BPM single piece rates do not distinguish between intra-BMC parcels and inter-BMC

parcels. All BPM parcel rates reflect the relatively lower cost of handling BPM mail pieces, particularly as weight increases, owing to the relatively compact nature of these parcels.

In developing a rate design for a BPM returns product we are faced with two considerations:

- We do not have any data that specifically address the costs that would be saved by BPM pieces if BPM mailers were to engage in the worksharing activities required of PSRS RBMC mailers.
- Nevertheless, it is reasonable to believe that BPM returns parcels would save the Postal Service some costs if RBMC worksharing were performed.

For these reasons, it makes sense to offer BPM mailers a discount that reflects some portion of cost savings estimated for PSRS RBMC parcels to encourage this cost-saving behavior. This discount could be adjusted based on what is learned during the experiment, if the Postal Service were to request a permanent BPMRS classification.

C. Rate Design

1. PSRS RDU Regular-Sized Parcels Rate Design

Witness Eggleston (USPS-T-2) provided me with estimates of transportation and non-transportation cost savings for RDU parcels compared to the benchmark, Parcel Post Intra-BMC Local parcels. I calculated the average per-piece savings for all regular-sized RDU pieces using witness Eggleston's average cubic feet per piece estimates for machinable and nonmachinable parcels.

I then estimated the revenue that the RDU pieces would have paid in the absence of PSRS using current benchmark rates and the weight distribution of DDU parcels from Docket No. R2001-1.[2] Dividing by the appropriate total volume yields the revenue per piece for RDU parcels under current rates. From this revenue per piece total I subtracted a portion of the average per-piece savings to produce the proposed rate. Details of these calculations are shown in my workpaper WP-PRS-7.

Based on projected PSRS volume and distribution, my proposed rates pass through 62% of the expected savings from RDU worksharing. I believe that it is appropriate to limit the savings passthrough in this experimental classification for several reasons, some of which have been already mentioned in Section III:

- The PSRS is a new service with several novel features. This means that our cost savings estimates and, therefore, our proposed rates are necessarily based on imperfect knowledge. A limited passthrough of estimated savings will help protect the Postal Service's revenue as it gains experience with PSRS.
- While there are advantages to the unitary pricing of RDU regular-sized parcels, there are also some potential risks. These include the risks of an unanticipated influx of unusually heavy parcels that tax available space. Reserving some of the expected savings helps provide some measure of insurance against those risks.

[2] The DDU weight distribution was used, since it is expected that returning DDU-type parcels are the most reasonable proxies for parcels likely to use the RDU service.

2. PSRS RBMC Regular-Sized Parcels Rate Design

Witness Eggleston (USPS-T-2) provided estimates of RBMC transportation and non-transportation cost savings compared to the benchmark, Parcel Post Intra-BMC zoned parcels. I used her cost savings estimates for machinable and nonmachinable parcels and the projected weight distribution for RBMC parcels (based on Parcel Select DBMC pieces from Docket R2001-1[3]) to calculate savings for machinable and nonmachinable RBMC parcels by weight step. I calculated the average savings separately for light and medium weight pieces (those with weights 0-35 pounds), and heavier pieces (those with weights over 35 pounds). Details of my calculations are shown in workpaper WP-PRS-8.

I then developed my proposed rates for RBMC light and medium weight pieces by subtracting the average savings for those pieces from their respective benchmark rates. Since all PSRS pieces will be barcoded, I have included the savings from barcoding developed for Docket No. R2001-1 in my proposed rates for light and medium weight pieces. RBMC pieces with weights less than 35 pounds that are not machinable due to size would be subject to a $1.35 nonmachinable surcharge, the same surcharge that the benchmark nonmachinable parcels would pay.

Since RBMC parcels still require some transportation and handling, my proposed rate design also retains "balloon rate" pricing for high-cubic-volume, low-weight parcels. RBMC parcels with combined length plus girth between 84 and 108 inches that weigh less than 15 pounds would pay the rate for a 15-pound parcel to the same zone.

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[3] RBMC pieces are expected to be most directly comparable to Parcel Select pieces.

To develop the rates for heavier pieces, I used the same rate differential I applied to light- and medium-weight pieces, and added to that differential a per-pound increment for pieces above 36 pounds. I then subtracted this augmented rate differential from the benchmark Intra-BMC rates as a discount, and added back the nonmachinable surcharge. The per-pound increment was selected to recognize that savings are higher for larger pieces, while avoiding unduly sharp rate jumps at the breakpoint between lighter and heavier pieces. My workpaper WP-PRS-8 documents these calculations.

While my proposed pricing passes through most of the aggregate savings projected for the RBMC rate category, the passthrough of savings for heavier parcels is considerably less than 100%. In addition to the general concerns discussed in Section III A, and also in the previous subsection, there is a further reason for limiting the passthrough, one that applies particularly to heavier weight pieces. In Docket No. R2001-1, our cost studies indicated that substantial rate increases were appropriate for heavy weight Intra-BMC pieces. In order to avoid rate shock, rate increases for heavy parcels were mitigated substantially. Because Intra-BMC Parcel Post rates are the benchmark rates for PSRS rates, it is appropriate to scale back the passthrough of cost savings for heavier pieces, since the benchmark rates for heavier pieces already reflect a scaled back passthrough of costs.

3. Oversized Parcels Rate Design

I developed the prices for both RDU and RBMC Oversized PSRS rates using the following approach, documented in my workpaper WP-PSRS-9. Witness Eggleston (USPS-T-2) provided the estimates of the transportation and non-transportation cost savings for RDU and RBMC oversized parcels, measured relative to the respective benchmarks: Intra-BMC Local and Intra-BMC

zoned oversized parcels. She also provided estimates of the average cubic feet per piece for RDU and RBMC oversized pieces. I used witness Eggleston's estimates to calculate adjusted savings per-piece elements for each of these rate categories. I then deducted a portion of these adjusted savings from the appropriate benchmark rates to produce my proposed oversized prices.

4. BPM Return Parcels Rate Design

I developed my proposed BPMRS RBMC rates by subtracting from the current BPM Single-Piece rates a rate differential equal to $0.21 of Witness Eggleston's (USPS-T-2) estimated cost savings for PSRS RBMC machinable parcels, plus the standard parcel barcode discount of three cents. In Section III.B.3, I cited a pair of factors that make it reasonable to offer BPM RBMC pieces a lower discount than Parcel Select pieces: our lack of BPM-specific savings estimates, and the generally lower overall costs of handling BPM pieces. I believe that it is reasonable to use the PSRS RBMC savings estimate as a starting point for BPM pieces, but to propose a more limited discount of $0.24 per parcel (including the barcode discount) to reflect both our more limited knowledge and BPM's lower cost profile compared to the Parcel Post benchmark. The discount I propose provides a conservative cushion that should avoid overstating the achievable savings while, at the same time, offering BPM mailers an incentive to engage in worksharing for returns.

Details of the calculation of my proposed BPM RBMC rates are contained in workpaper WP-PRS-11.

D. Financial Impacts

As discussed in Section IV D, below, one of the reasons the Postal Service is seeking experimental classifications for PRS products is that we do not

have volume forecasts with the same degree of reliability and accuracy that we normally require. To fill in some of our information gaps in this area, the Postal Service engaged in discussions with mailers regarding the size of the market for parcel returns during development of the PSRS and BPMRS products. Based on those discussions I have adopted the following volume assumptions for the purposes of estimating revenue and cost impacts of PSRS:

Total annual market for return parcels: 300 million pieces

Market share capturable by PSRS: 4%.

Based on information from these mailers I have also projected that PSRS total volume would break down as follows:

RDU parcels: 1.8 million

RBMC parcels: 10.2 million.

I distributed RBMC pieces to postal zones based on the zone profile for origin BMC pieces reported by witness Wittnebel in his Exhbit A (USPS-T-4).

The Postal Service's discussions also included potential usage of BPMRS. Based on those discussions, I adopted a usage of 7.5 million pieces, all pieces being picked up at BMCs, for the purposes of estimating total revenue impacts.

Using these projected volumes I have calculated the financial impacts of the proposed rates. These are shown in Attachment D (also in workpaper WP-PRS-13). Cost savings passthroughs for PSRS products range from 62% to 67%, providing a reasonable cushion of savings against unanticipated events. Overall, the revenue impacts of introducing Parcel Return Services rate and classification changes are small relative to their respective subclass revenues.

E. DMCS and Rate Schedule Changes

I propose that the Commission recommend the Parcel Select Return Service and Bound Printed Matter Return Service as new experimental rate

categories within the Parcel Post and Bound Printed Matter subclasses at the rates shown in Attachments A and B. I also propose that each user of Parcel Return Services be required to hold a permit and pay an accounting fee. For the permit I propose a fee of $150 per year and I propose the accounting fee be set at $475 per year per account.[4] A Parcel Return Services permit fee will allow users to use either Parcel Select Return Service or Bound Printed Matter Return Service rates, and the accounting fee also can apply to both services if only one account is used. Proposed conforming changes to Fee Schedule 1000 and the DMCS are contained in Attachment C to my testimony and Attachment A to the Request.

I propose that the experiment be limited in scope as described in witness Gullo's testimony (USPS-T-1, Section IX), and that the experimental classifications expire two years after the date set for implementation by the Board of Governors unless, before that date, the Postal Service requests one or more permanent classification changes for substantially similar parcel return services. In that situation, the experiment would continue pending litigation and implementation of the Postal Service's requested classification changes, as detailed in Attachment A to the Request. Justifications for treating these proposed changes as experimental are set forth in the following chapter.

[4] The Parcel Return Services permit and accounting fees will be in addition to any other permit or accounting fees required for other rates or special services.

IV. DESIGNATION OF THE CLASSIFICATIONS AS EXPERIMENTAL

The Postal Service is requesting experimental treatment of the proposed classification changes under Section 3001.67 of the Commission's rules. The following discussion provides the justifications for using the Commission's experimental procedures.

A. The Proposed Changes are Novel

The proposed changes are novel in several ways:

- The Postal Service is planning to offer its customers commercial pricing for non-bulk-entered mail. Typically, workshared mail is entered in bulk quantities and delivered singly. PRS mail will be entered by consumers singly and retrieved in bulk at USPS facilities.[5]
- The RDU component of Parcel Return Services has a flat rate for all regular-sized parcels. This would be the only flat-rate Package Services product offered by the Postal Service.
- The RBMC components of Parcel Return Services will require customers to develop reverse manifests of each piece retrieved by them. The Postal Service does not currently use reverse manifesting for postage payment for any other product.[6]

[5] I understand that some Bulk Parcel Return Service customers opt to pick up their mail at Postal Service facilities for service reasons. In contrast, customers of Parcel Return Services will be *required* to pick up their parcels at Postal Service facilities to qualify for commercial pricing.

[6] The Postal Service did offer reverse manifesting as a payment option during the Nonletter-Sized Business Reply Mail experiment. Reverse manifesting was not pursued as a postage payment option in the permanent classification after the only customer to use it switched to using weight-averaging when the customer was acquired by another participant in the experiment.

B. The Proposed Changes are Limited in Magnitude

The Postal Service engaged in numerous discussions with mailers as part of its efforts to develop the Parcel Return Services products. Based on information from those mailer discussions, I have adopted an expected usage for PSRS and BPMRS during the experiment totaling less than 20 million pieces per year (see Section III.D). This magnitude represents only a limited fraction of either Parcel Select or Bound Printed Matter volumes. Because both revenues and costs depend on the volumes of PRS pieces, the effects of the experiment on Parcel Post or Bound Printed Matter revenues and costs are also expected to be limited. My workpaper WP-PRS-13 shows that the expected financial impacts are, indeed, limited.

It is well known that the Postal Service is not the dominant carrier in the ground parcels market. Since PRS is expected to produce, at most, a relatively limited expansion of existing Postal Service ground parcel volumes during the experiment, the overall magnitude of its impact on alternative providers and users of ground parcel services is also expected to be limited.

C. Data Collection Will be Straightforward

Witness Gullo's testimony (USPS-T-1) describes the data collection plan for this experiment. The plan is designed to collect detailed information on volumes, revenues and certain other characteristics that should fill in many of the blank spots that exist in our understanding of the market for PRS products. Most of the pertinent data will be gathered electronically, from the reverse manifests used for postage payment. The data from the manifests will be supplemented by sampling PRS volumes.

The planned data collection techniques should provide an efficient and easy method to assemble the information required by the Postal Service to assess PRS products and decide whether to request their continuance as permanent classifications.

D. The Experiment Will Produce Data Not Currently Available

It is reasonable to believe that the Postal Service network has some important features, such as widespread availability of collection points and almost-daily carrier visits to each address, that would make a parcel returns service potentially successful. But it is difficult to assess beforehand whether PRS products will be readily accepted in the marketplace.

One reason for the uncertainty is the lack of agreement among non-Postal Service forecasters concerning the size of the total returns market. The forecasts that the Postal Service has seen vary by many hundreds of millions of pieces from the lowest to the highest. With lack of agreement among professional forecasters, the Postal Service finds that it does not have available sufficient data to forecast volumes and volume-dependent variables, such as total revenue and total costs to the same degree of accuracy and reliability it requires in normal rate and classification requests.

In contrast to these *ex ante* data difficulties, the Postal Service believes that its data collection plan will readily and reasonably easily gather volume and revenue data that will allow it to assess the desirability of requesting that the PRS classification changes be made permanent.

V. CLASSIFICATION CRITERIA

In recommending classifications, the Commission is required to consider the following factors, which I refer to in my testimony as Criteria 1 to 6:

(1) the establishment and maintenance of a fair and equitable classification system for all mail;

(2) the relative value to the people of the kinds of mail matter entered into the postal system and the desirability and justification for special classifications and services of mail;

(3) the importance of providing classifications with extremely high degrees of reliability and speed of delivery;

(4) the importance of providing classifications which do not require an extremely high degree of reliability and speed of delivery;

(5) the desirability of special classifications from the point of view of both the user and of the Postal Service; and

(6) such other factors as the Commission may deem appropriate.

The classification changes I propose for Parcel Post and Bound Printed Matter are consistent with these criteria. The proposed changes will enhance existing mail classifications in several ways:

- They will offer consumers who send returns using Parcel Post or Bound Printed Matter a way to have simplified acceptance of their parcels, to avoid putting postage on the returns, and to shorten the time between when the return parcels are mailed and when the merchants (or their agents) receive their parcels.
- They will offer merchants and their agents a faster way to take possession of their customers' returns so that their customers' accounts can be credited sooner, and they will offer commercial pricing to those who are

willing to collect parcels at postal facilities and, in the case of RBMC parcels, weigh and rate them.

- They will offer the Postal Service a fuller parcel product line, savings on the costs of weighing and rating RBMC parcels, more simplified acceptance of returns parcels, as well as simplified rating of RDU parcels.

The Postal Service has discussed the proposed Parcel Return Services with potential customers and they have indicated that the changes I propose will be valuable additions that should help meet a perceived need in the mail order market. PRS products are desirable to the Postal Service, and to the merchants and consumers who will use them (Criteria 2 and 5).

Parcel Post and Bound Printed Matter are classifications for mail that do not require an extremely high degree of reliability and speed of delivery. My proposed classification changes will enhance and further promote Parcel Post and Bound Printed Matter (Criterion 4). Criterion 3 does not apply in this case.

My proposed changes offer customers lower rates for certain parcel mail, but require them to perform valuable services in return. The proposed Parcel Return Services will produce benefits for both the Postal Service and its customers without imposing any undue or unfair burden on either, or on other mailers. The proposed changes recognize the needs of customers for affordable return solutions. And, at the same time, competitors are not unfairly disadvantaged as the experimental rate schedules are predicated upon conservative passthroughs of estimated cost savings for products that are already well above costs. As such, the requirements for customers and fair competition are fully considered and balanced in the proposal. On the whole the changes I propose are fair and equitable (Criterion 1).

USPS-T-3
Attachment A
Page 1

PACKAGE SERVICES
RATE SCHEDULE 521.2F

PARCEL POST
PARCEL SELECT RETURN SERVICES
RETURN DELIVERY UNIT RATE CATEGORY

Weight (lbs.)	Rate	Weight (lbs.)	Rate
1	$2.00	36	$2.00
2	2.00	37	2.00
3	2.00	38	2.00
4	2.00	39	2.00
5	2.00	40	2.00
6	2.00	41	2.00
7	2.00	42	2.00
8	2.00	43	2.00
9	2.00	44	2.00
10	2.00	45	2.00
11	2.00	46	2.00
12	2.00	47	2.00
13	2.00	48	2.00
14	2.00	49	2.00
15	2.00	50	2.00
16	2.00	51	2.00
17	2.00	52	2.00
18	2.00	53	2.00
19	2.00	54	2.00
20	2.00	55	2.00
21	2.00	56	2.00
22	2.00	57	2.00
23	2.00	58	2.00
24	2.00	59	2.00
25	2.00	60	2.00
26	2.00	61	2.00
27	2.00	62	2.00
28	2.00	63	2.00
29	2.00	64	2.00
30	2.00	65	2.00
31	2.00	66	2.00
32	2.00	67	2.00
33	2.00	68	2.00
34	2.00	69	2.00
35	2.00	70	2.00
		Oversized	7.51

Notes:

1. Regardless of weight, any parcel that measures more than 108 inches (but not more than 130 inches) in combined length and girth must pay the oversized rate.

PACKAGE SERVICES
RATE SCHEDULE 521.2G

PARCEL POST
PARCEL SELECT RETURN SERVICES
RETURN BMC RATE CATEGORY
MACHINABLE PIECES

Weight (lbs.)	Zones 1 & 2	Zone 3	Zone 4	Zone 5
1	$2.10	$2.13	$2.19	$2.28
2	2.67	2.70	2.77	2.88
3	3.22	3.25	3.34	3.46
4	3.42	3.76	3.86	4.00
5	3.59	4.16	4.29	4.49
6	3.75	4.52	4.65	4.94
7	3.90	4.83	4.98	5.35
8	4.47	5.12	5.28	5.74
9	4.60	5.36	5.59	6.09
10	4.77	5.67	5.88	6.42
11	4.90	5.88	6.14	6.72
12	5.05	6.08	6.40	7.01
13	5.18	6.24	6.64	7.27
14	5.30	6.36	6.89	7.52
15	5.41	6.53	7.10	7.76
16	5.52	6.70	7.30	7.98
17	5.65	6.86	7.52	8.19
18	5.74	7.01	7.71	8.38
19	5.86	7.16	7.89	8.57
20	5.96	7.30	8.05	8.74
21	6.05	7.44	8.20	8.91
22	6.16	7.56	8.34	9.06
23	6.24	7.72	8.48	9.21
24	6.33	7.84	8.60	9.36
25	6.41	7.96	8.72	9.49
26	6.51	8.07	8.85	9.62
27	6.59	8.20	8.96	9.74
28	6.66	8.32	9.05	9.86
29	6.75	8.44	9.16	9.97
30	6.83	8.54	9.26	10.07
31	6.91	8.62	9.35	10.18
32	7.00	8.74	9.45	10.27
33	7.06	8.84	9.53	10.37
34	7.14	8.92	9.61	10.45
35	7.20	9.03	9.69	10.54

Notes:

1. Parcels that weigh less than 15 pounds but measure more than 84 inches in combined length and girth are charged the applicable rate for a 15-pound parcel.

USPS-T-3
Attachment A
Page 3

PACKAGE SERVICES
RATE SCHEDULE 521.2G, CONTINUED

PARCEL POST
PARCEL SELECT RETURN SERVICES
RETURN BMC RATE CATEGORY
NONMACHINABLE PIECES

Weight (lbs.)	Zones 1 & 2	Zone 3	Zone 4	Zone 5	Weight (lbs.)	Zones 1 & 2	Zone 3	Zone 4	Zone 5
1	$3.45	$3.48	$3.54	$3.63	36	$8.65	$10.49	$11.14	$12.00
2	4.02	4.05	4.12	4.23	37	8.72	10.56	11.20	12.06
3	4.57	4.60	4.69	4.81	38	8.76	10.63	11.25	12.11
4	4.77	5.11	5.21	5.35	39	8.82	10.71	11.29	12.16
5	4.94	5.51	5.64	5.84	40	8.85	10.76	11.33	12.21
6	5.10	5.87	6.00	6.29	41	8.92	10.85	11.37	12.26
7	5.25	6.18	6.33	6.70	42	8.95	10.90	11.42	12.30
8	5.82	6.47	6.63	7.09	43	8.99	10.96	11.46	12.33
9	5.95	6.71	6.94	7.44	44	9.04	11.02	11.50	12.36
10	6.12	7.02	7.23	7.77	45	9.07	11.07	11.64	12.39
11	6.25	7.23	7.49	8.07	46	9.14	11.14	11.67	12.42
12	6.40	7.43	7.75	8.36	47	9.19	11.18	11.70	12.45
13	6.53	7.59	7.99	8.62	48	9.22	11.25	11.72	12.48
14	6.65	7.71	8.24	8.87	49	9.27	11.30	11.75	12.51
15	6.76	7.88	8.45	9.11	50	9.28	11.35	11.77	12.54
16	6.87	8.05	8.65	9.33	51	9.35	11.39	11.80	12.57
17	7.00	8.21	8.87	9.54	52	9.39	11.47	11.82	12.60
18	7.09	8.36	9.06	9.73	53	9.40	11.50	11.83	12.63
19	7.21	8.51	9.24	9.92	54	9.44	11.52	11.86	12.66
20	7.31	8.65	9.40	10.09	55	9.48	11.54	11.89	12.69
21	7.40	8.79	9.55	10.26	56	9.52	11.56	11.91	12.72
22	7.51	8.91	9.69	10.41	57	9.57	11.56	11.91	12.75
23	7.59	9.07	9.83	10.56	58	9.60	11.58	11.93	12.78
24	7.68	9.19	9.95	10.71	59	9.63	11.59	11.95	12.81
25	7.76	9.31	10.07	10.84	60	9.68	11.60	11.95	12.84
26	7.86	9.42	10.20	10.97	61	9.72	11.61	11.97	12.87
27	7.94	9.55	10.31	11.09	62	9.75	11.62	12.01	12.90
28	8.01	9.67	10.40	11.21	63	9.78	11.62	12.06	12.93
29	8.10	9.79	10.51	11.32	64	9.82	11.62	12.09	12.96
30	8.18	9.89	10.61	11.42	65	9.85	11.64	12.13	12.99
31	8.26	9.97	10.70	11.53	66	9.90	11.64	12.18	13.02
32	8.35	10.09	10.80	11.62	67	9.94	11.65	12.23	13.05
33	8.41	10.19	10.88	11.72	68	9.94	11.65	12.25	13.08
34	8.49	10.27	10.96	11.80	69	9.99	11.65	12.30	13.11
35	8.55	10.38	11.04	11.89	70	10.02	11.65	12.34	13.14
					Oversized	25.99	26.31	27.00	28.05

Notes:

1. Parcels that weigh less than 15 pounds but measure more than 84 inches in combined length and girth are charged the applicable rate for a 15-pound parcel. Regardless of weight, any parcel that measures more than 108 inches (but not more than 130 inches) in combined length and girth must pay the oversized rate.

USPS-T-3
Attachment B

PACKAGE SERVICES
RATE SCHEDULE 522E

BOUND PRINTED MATTER
BPM RETURN SERVICE
RETURN BMC RATE CATEGORY

Weight	Zones 1 & 2	Zone 3	Zone 4	Zone 5
1.0	$1.63	$1.68	$1.72	$1.80
1.5	1.63	1.68	1.72	1.80
2.0	1.70	1.76	1.82	1.92
2.5	1.77	1.85	1.92	2.05
3.0	1.84	1.93	2.02	2.17
3.5	1.91	2.02	2.12	2.30
4.0	1.98	2.10	2.22	2.42
4.5	2.05	2.19	2.32	2.55
5.0	2.12	2.27	2.42	2.67
6.0	2.26	2.44	2.62	2.92
7.0	2.40	2.61	2.82	3.17
8.0	2.54	2.78	3.02	3.42
9.0	2.68	2.95	3.22	3.67
10.0	2.82	3.12	3.42	3.92
11.0	2.96	3.29	3.62	4.17
12.0	3.10	3.46	3.82	4.42
13.0	3.24	3.63	4.02	4.67
14.0	3.38	3.80	4.22	4.92
15.0	3.52	3.97	4.42	5.17

USPS-T-3
Attachment C

PROPOSED CHANGES TO FEE SCHEDULE 1000

Description	Fee
Add:	
Parcel Return Services Accounting Fee (per year)	475.00
Parcel Return Services Permit Fee (per year)	150.00

USPS-T-3
Attachment D

Parcel Return Services Financial Summary

	Volume	Cost Savings	Revenue Reduction	Savings Passthrough
Parcel Select				
RDU	1,800,000	$5,526,988	$3,432,729	62%
RBMC	10,200,000	$13,331,028	$8,899,747	67%
Bound Printed Matter				
RBMC	7,500,000		1,800,000	

Table of Contents

USPS-T-3
WP-PRS-1

Major Input Assumptions for Proposed Rate Schedule Determination

Input Assumption	Notes	Value
Estimated Size of Market for Returns:	[1]	300,000,000
Short Term Penetration of Market:	[2]	4.0%
Total Estimated PSRS Volume	[3]	12,000,000
Nonmachinables Share of Total PSRS Volume	[4]	0.06035
Estimated PSRS RDU Volume	[5]	1,800,000
Estimated Zone Distributions for PSRS RBMC Volumes		
Zones 1&2	[6a]	79.4%
Zone 3	[6b]	17.6%
Zone 4	[6c]	2.9%
Zone 5	[6d]	0.0%
Total Estimated BPMSRS Volume	[7]	7,500,000
Assumed Breakdown		
RBMC	*[8]*	100%
Estimated Zone Distributions for BPMSRS RBMC Volumes		
Zones 1&2	[9a]	82%
Zone 3	[9b]	15%
Zone 4	[9c]	3%
Zone 5	[9d]	0%
Unit Transportation Cost Impacts ($/Cubic Foot)		
RDU Return Parcels (Compared to Local Intra-BMC)	[10]	-$1.872
RBMC Machinable Parcels (Compared to Zoned Intra-BMC)	[11]	-$1.673
Unit Non-Transportation Cost Impacts ($/Piece)		
RDU Return Parcels (Compared to Intra-BMC Local)		
Machinable Parcels	[12]	-$1.554
Nonmachinable Parcels	[13]	-$3.619
Oversized Parcels	[14]	-$9.160
RBMC Machinable Parcels (Compared to Intra-BMC)		
Machinable Parcels	[15]	-$0.058
Nonmachinable Parcels	[16]	-$0.119
Oversized Parcels	[17]	-$0.116
Barcoding Cost Savings ($/Piece)	[18]	$0.03
Average Cubic Feet Per Piece		
RDU and RBMC Return Parcels		
Machinable Parcels	[19]	0.597
Nonmachinable Parcels	[20]	2.244
Oversized Parcels	[21]	6.692

Notes

1	Assumption, based on discussions with mailers.
2	Assumption, based on discussions with mailers.
3	Input [1] * Input [2].
4	Docket No. R2001-1, Library Reference LR-J-106, workpaper WP-PP-6.
5	Assumption, based on discussions with mailers: Input [3] * 15%.
6a-6d	USPS-T-4, Exhibit A.
7	Assumption, based on discussions with mailers.
8	Assumption, based on discussions with mailers.
9a-9d	Assumption, based on discussions with mailers.
10	USPS-T-2, Attachment E, page 1, Column 1, RDU Parcels
11	USPS-T-2, Attachment E, page 1, Column 1, RBMC Parcels
12	USPS-T-2, Attachment A, RDU Machinable Parcels, Column 7 - Column 4.
13	USPS-T-2, Attachment A, RDU Nonmachinable Parcels, Column 7 - Column 4.
14	USPS-T-2, Attachment A, RDU Oversized Parcels, Column 7 - Column 4.
15	USPS-T-2, Attachment A, RBMC Machinable Parcels, Column 7 - Column 4.
16	USPS-T-2, Attachment A, RBMC Nonmachinable Parcels, Column 7 - Column 4.
17	USPS-T-2, Attachment A, RBMC Oversized Parcels, Column 7 - Column 4.
18	Docket No. R2001-1, Library Reference LR-J-106, workpaper WP-PP-1, Input [20k].
19	USPS-T-2, Attachment E, page 1, Column 2, Machinable Parcels.
20	USPS-T-2, Attachment E, page 1, Column 2, Nonmachinable Parcels.
21	USPS-T-2, Attachment E, page 1, Column 2, Oversized Parcels.

USPS-T-3
WP-PRS-2

Current Intra-BMC Parcel Post Rates

Intra-BMC Pieces[1]					
Weight (Pounds)	Local	Zones 1 & 2	Zone 3	Zone 4	Zone 5
1	2.81	2.96	2.99	3.05	3.14
2	3.13	3.53	3.56	3.63	3.74
3	3.44	4.08	4.11	4.20	4.32
4	3.73	4.28	4.62	4.72	4.86
5	3.99	4.45	5.02	5.15	5.35
6	4.23	4.61	5.38	5.51	5.80
7	4.36	4.76	5.69	5.84	6.21
8	4.46	5.33	5.98	6.14	6.60
9	4.56	5.46	6.22	6.45	6.95
10	4.66	5.63	6.53	6.74	7.28
11	4.74	5.76	6.74	7.00	7.58
12	4.84	5.91	6.94	7.26	7.87
13	4.92	6.04	7.10	7.50	8.13
14	5.00	6.16	7.22	7.75	8.38
15	5.08	6.27	7.39	7.96	8.62
16	5.17	6.38	7.56	8.16	8.84
17	5.23	6.51	7.72	8.38	9.05
18	5.30	6.60	7.87	8.57	9.24
19	5.36	6.72	8.02	8.75	9.43
20	5.46	6.82	8.16	8.91	9.60
21	5.51	6.91	8.30	9.06	9.77
22	5.57	7.02	8.42	9.20	9.92
23	5.64	7.10	8.58	9.34	10.07
24	5.70	7.19	8.70	9.46	10.22
25	5.77	7.27	8.82	9.58	10.35
26	5.82	7.37	8.93	9.71	10.48
27	5.88	7.45	9.06	9.82	10.60
28	5.94	7.52	9.18	9.91	10.72
29	6.01	7.61	9.30	10.02	10.83
30	6.08	7.69	9.40	10.12	10.93
31	6.13	7.77	9.48	10.21	11.04
32	6.18	7.86	9.60	10.31	11.13
33	6.25	7.92	9.70	10.39	11.23
34	6.30	8.00	9.78	10.47	11.31
35	6.35	8.06	9.89	10.55	11.40
36	6.40	8.13	9.97	10.62	11.48
37	6.44	8.22	10.06	10.70	11.56
38	6.49	8.28	10.15	10.77	11.63
39	6.56	8.36	10.25	10.83	11.70

Workbook Tab: Current Parcel Post Rates

40	6.61	8.41	10.32	10.89	11.77
41	6.67	8.50	10.43	10.95	11.84
42	6.72	8.55	10.50	11.02	11.90
43	6.77	8.61	10.58	11.08	11.95
44	6.84	8.68	10.66	11.14	12.00
45	6.88	8.73	10.73	11.30	12.05
46	6.92	8.82	10.82	11.35	12.10
47	6.98	8.89	10.88	11.40	12.15
48	7.03	8.94	10.97	11.44	12.20
49	7.07	9.01	11.04	11.49	12.25
50	7.12	9.04	11.11	11.53	12.30
51	7.18	9.13	11.17	11.58	12.35
52	7.21	9.19	11.27	11.62	12.40
53	7.26	9.22	11.32	11.65	12.45
54	7.32	9.28	11.36	11.70	12.50
55	7.37	9.34	11.40	11.75	12.55
56	7.40	9.40	11.44	11.79	12.60
57	7.45	9.47	11.46	11.81	12.65
58	7.50	9.52	11.50	11.85	12.70
59	7.55	9.57	11.53	11.89	12.75
60	7.57	9.64	11.56	11.91	12.80
61	7.66	9.70	11.59	11.95	12.85
62	7.68	9.75	11.62	12.01	12.90
63	7.73	9.80	11.64	12.08	12.95
64	7.78	9.86	11.66	12.13	13.00
65	7.82	9.91	11.70	12.19	13.05
66	7.85	9.98	11.72	12.26	13.10
67	7.92	10.04	11.75	12.33	13.15
68	7.96	10.06	11.76	12.37	13.20
69	7.97	10.13	11.78	12.44	13.25
70	7.98	10.18	11.81	12.50	13.30
Oversized	23.78	34.47	34.79	35.48	36.53

Discounts and Surcharges (Per Piece)	
Nonmachinable Surcharges	
Intra-BMC	1.35
Barcode Discount	0.03

Notes

[1] Pieces weighing over 35 pounds must automatically add the nonmachinable surcharge.
Source: Domestic Mail Manual, Sections R700.1.3 to R700.1.4

USPS-T-3
WP-PRS-3

Current BPM Single Piece Parcel Rates

Weight Not Over (lbs).	Zones 1&2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8
1.0	$1.87	$1.92	$1.96	$2.04	$2.11	$2.20	$2.37
1.5	$1.87	$1.92	$1.96	$2.04	$2.11	$2.20	$2.37
2.0	$1.94	$2.00	$2.06	$2.16	$2.26	$2.38	$2.60
2.5	$2.01	$2.09	$2.16	$2.29	$2.41	$2.56	$2.84
3.0	$2.08	$2.17	$2.26	$2.41	$2.56	$2.74	$3.07
3.5	$2.15	$2.26	$2.36	$2.54	$2.71	$2.92	$3.31
4.0	$2.22	$2.34	$2.46	$2.66	$2.86	$3.10	$3.54
4.5	$2.29	$2.43	$2.56	$2.79	$3.01	$3.28	$3.78
5.0	$2.36	$2.51	$2.66	$2.91	$3.16	$3.46	$4.01
6.0	$2.50	$2.68	$2.86	$3.16	$3.46	$3.82	$4.48
7.0	$2.64	$2.85	$3.06	$3.41	$3.76	$4.18	$4.95
8.0	$2.78	$3.02	$3.26	$3.66	$4.06	$4.54	$5.42
9.0	$2.92	$3.19	$3.46	$3.91	$4.36	$4.90	$5.89
10.0	$3.06	$3.36	$3.66	$4.16	$4.66	$5.26	$6.36
11.0	$3.20	$3.53	$3.86	$4.41	$4.96	$5.62	$6.83
12.0	$3.34	$3.70	$4.06	$4.66	$5.26	$5.98	$7.30
13.0	$3.48	$3.87	$4.26	$4.91	$5.56	$6.34	$7.77
14.0	$3.62	$4.04	$4.46	$5.16	$5.86	$6.70	$8.24
15.0	$3.76	$4.21	$4.66	$5.41	$6.16	$7.06	$8.71

Barcode Discount (Per Piece) $0.03

Source: Domestic Mail Manual, Section R700.2.2

Workbook Tab: Current BPM Single Piece Rates

USPS-T-3
WP-PRS-4

Distribution of Docket No. R2001-1 TYAR Pieces by Zone and Weight[1]

	DDU Pieces	DBMC Pieces				
Weight (Pounds)	DDU	Zones 1 & 2	Zone 3	Zone 4	Zone 5	DBMC Total
1	2,679,218	5,823,435	994,818	318,715	5,548	10,241,853
2	20,901,556	45,430,738	8,379,643	1,331,706	23,183	79,344,319
3	21,762,881	32,222,239	6,901,093	1,115,225	57,190	65,065,678
4	14,430,614	16,671,545	3,838,820	696,921	28,730	37,238,107
5	9,825,742	12,202,636	2,695,039	477,361	57,189	26,157,327
6	6,885,796	8,881,872	2,042,887	349,600	1	18,940,974
7	5,091,899	6,241,862	1,482,392	205,220	0	13,648,032
8	3,974,362	4,458,311	956,896	172,965	28,729	10,134,441
9	2,894,517	3,440,923	769,460	131,466	0	7,660,447
10	2,253,023	2,682,598	497,456	102,957	0	5,920,044
11	1,716,432	2,253,426	466,327	70,611	0	4,787,290
12	1,319,743	1,960,558	433,866	72,431	0	3,995,855
13	1,054,792	1,418,869	214,479	52,958	0	2,912,511
14	1,034,994	1,340,241	216,657	26,304	0	2,767,903
15	850,916	1,093,386	193,172	37,478	0	2,305,182
16	638,840	804,282	212,544	32,858	0	1,805,953
17	534,265	749,652	165,543	36,184	0	1,585,264
18	466,402	667,689	124,669	7,386	0	1,359,087
19	378,151	1,025,649	118,426	4,339	0	1,595,575
20	357,447	627,067	100,622	11,431	0	1,147,212
21	317,463	502,194	53,486	8,599	0	932,942
22	259,307	455,827	80,264	18,389	0	851,076
23	236,611	422,750	51,533	13,363	0	768,224
24	259,431	594,359	93,817	7,147	0	985,362
25	198,424	280,070	24,728	61	0	535,006
26	206,131	298,396	51,842	10,547	0	593,630
27	175,730	241,238	64,950	3,037	0	504,989
28	227,958	339,950	21,586	2,322	0	664,166
29	146,350	249,434	19,761	3,686	0	459,302
30	518,445	205,702	18,744	18,342	0	789,617
31	175,387	414,220	25,963	2,350	0	670,234
32	102,816	249,101	24,463	1,140	0	394,216
33	85,215	171,568	24,443	8,955	0	306,321
34	69,069	107,944	16,375	-	0	207,858
35	63,696	109,295	15,220	5,800	0	205,697
36	60,778	86,705	15,375	-	0	176,771
37	50,240	66,912	7,546	239	0	130,501

Workbook Tab: R2001-1 TYAR Volumes

38	43,573	68,511	8,143	2,358	0	132,603
39	41,812	65,946	8,795	1,792	0	123,354
40	39,692	74,658	1,258	1,340	0	125,296
41	36,133	92,836	5,927	-	0	143,244
42	37,281	112,249	4,453	844	0	159,836
43	29,128	114,287	9,769	-	0	156,523
44	27,219	107,076	46,058	267	0	183,959
45	30,225	78,849	3,664	4,457	0	123,874
46	24,869	58,892	6,706	-	0	93,806
47	25,685	44,323	4,792	636	0	78,775
48	19,464	32,075	382	-	0	53,034
49	15,053	25,744	170	-	0	43,193
50	15,608	22,566	272	-	0	41,229
51	25,798	27,969	10,297	-	0	70,743
52	16,089	22,930	-	-	0	41,802
53	23,934	40,480	6,596	-	0	72,679
54	19,450	31,618	-	-	0	52,738
55	14,770	22,164	-	-	0	38,604
56	18,508	30,453	-	-	0	49,518
57	16,659	27,168	1,094	-	0	46,591
58	8,366	12,836	261	-	0	22,020
59	8,738	29,775	2,304	-	0	42,486
60	6,851	114,205	9,470	-	0	132,195
61	15,778	34,512	2,846	-	0	55,362
62	15,910	22,046	255	-	0	43,776
63	5,822	8,475	1,094	-	0	15,391
64	5,527	9,084	-	-	0	15,168
65	5,025	7,999	-	-	0	13,024
66	5,371	7,511	-	-	0	13,438
67	4,404	15,789	-	1,057	0	21,806
68	2,250	27,192	-	-	0	29,442
69	1,747	3,090	-	-	0	4,836
70	1,901	1,943	-	-	-	3,844
Balloon	1,402,222	2,130,173	432,704	71,072	0	4,225,897
Oversized	129,706	197,042	59,347	20,647	1,055	425,348
Total	104,345,207	158,515,113	32,041,562	5,462,566	201,626	314,684,404

Notes

[1] Source: Docket No. R2001-1, Library Reference LR-J-106, Workpaper WP-PP-28

Workbook Tab: R2001-1 TYAR Volumes

USPS-T-3
WP-PRS-5

RBMC Forecast Volume Distribution

		Forecast Volumes[1] [A]
	RBMC	
[a]	**Zones 1&2**	8,100,000
[b]	**Zone 3**	1,800,000
[c]	**Zone 4**	300,000
[d]	**Zone 5**	-
[e]	**Total**	10,200,000

Notes

[1] Calculation:
[Aa] to [Ad] = (WP-PRS-1, Inputs [6a] to [6d] * (Input [3] - Input [5]))
[Ae] = Sum of [Aa] to [Ad]

Workbook Tab: RBMC Forecast

USPS-T-3
WP-PRS-6

Distribution of Forecast PSRS RBMC Pieces by Zone and Weight

Weight (Pounds)	Return BMC (RBMC) Pieces[1] Zones 1 & 2	Zone 3	Zone 4	Zone 5	RBMC Total
1	297,573	55,886	17,504	-	370,963
2	2,321,476	470,744	73,136	-	2,865,355
3	1,646,532	387,683	61,247	-	2,095,462
4	851,903	215,654	38,274	-	1,105,831
5	623,545	151,399	26,216	-	801,161
6	453,857	114,763	19,200	-	587,820
7	318,954	83,276	11,271	-	413,501
8	227,816	53,756	9,499	-	291,071
9	175,829	43,226	7,220	-	226,275
10	137,079	27,946	5,654	-	170,679
11	115,148	26,197	3,878	-	145,223
12	100,183	24,373	3,978	-	128,534
13	72,503	12,049	2,908	-	87,460
14	68,485	12,171	1,445	-	82,101
15	55,871	10,852	2,058	-	68,781
16	41,098	11,940	1,805	-	54,843
17	38,307	9,300	1,987	-	49,594
18	34,118	7,004	406	-	41,528
19	52,410	6,653	238	-	59,301
20	32,043	5,653	628	-	38,323
21	25,662	3,005	472	-	29,139
22	23,292	4,509	1,010	-	28,811
23	21,602	2,895	734	-	25,231
24	30,371	5,270	392	-	36,034
25	14,311	1,389	3	-	15,704
26	15,248	2,912	579	-	18,739
27	12,327	3,649	167	-	16,143
28	17,371	1,213	128	-	18,711
29	12,746	1,110	202	-	14,058
30	10,511	1,053	1,007	-	12,572
31	21,166	1,459	129	-	22,754
32	12,729	1,374	63	-	14,166
33	8,767	1,373	492	-	10,632
34	5,516	920	-	-	6,436
35	5,585	855	319	-	6,758
36	4,431	864	-	-	5,294
37	3,419	424	13	-	3,856
38	3,501	457	130	-	4,088
39	3,370	494	98	-	3,962

Workbook Tab: RBMC Volume Distrbution

40	3,815	71	74	-	3,959
41	4,744	333	-	-	5,077
42	5,736	250	46	-	6,032
43	5,840	549	-	-	6,389
44	5,471	2,587	15	-	8,074
45	4,029	206	245	-	4,480
46	3,009	377	-	-	3,386
47	2,265	269	35	-	2,569
48	1,639	21	-	-	1,660
49	1,315	10	-	-	1,325
50	1,153	15	-	-	1,168
51	1,429	578	-	-	2,008
52	1,172	-	-	-	1,172
53	2,069	371	-	-	2,439
54	1,616	-	-	-	1,616
55	1,133	-	-	-	1,133
56	1,556	-	-	-	1,556
57	1,388	61	-	-	1,450
58	656	15	-	-	671
59	1,521	129	-	-	1,651
60	5,836	532	-	-	6,368
61	1,764	160	-	-	1,923
62	1,127	14	-	-	1,141
63	433	61	-	-	495
64	464	-	-	-	464
65	409	-	-	-	409
66	384	-	-	-	384
67	807	-	58	-	865
68	1,389	-	-	-	1,389
69	158	-	-	-	158
70	99	-	-	-	99
Balloon	108,850	24,308	3,903	-	137,061
Oversized	10,069	3,334	1,134	-	14,537
Total	8,100,000	1,800,000	300,000	-	10,200,000
Nonmachinable					615,595
Share Under 35 lbs.					5.290%

Notes

[1] Calculation:

Rows 1 Pound through Oversized (each zone) =
(R2001-1 TYAR Volumes (WP-PRS-4), (DBMC volume for each weight and zone / total DBMC volume by zone)) * (RBMC Forecast (WP-PRS-5), [Aa] to [Ad]);

Total Row: Sum of rows 1 Pound to Oversized for each zone;

RBMC Total Column: Sum of zones for each row.

Nonmachinables Total = (RBMC Total) * (WP-PRS-1, Input[4]);

Workbook Tab: RBMC Volume Distrbution

	Nonmachinables Share Under 35 lbs. = (Nonmachinables Total - Sum of RBMC volume 36 - 70 pounds) / (Sum of RBMC volume 1 - 35 pounds)

Workbook Tab: RBMC Volume Distrbution

USPS-T-3
WP-PRS-7

Calculation of RDU Cost Savings by Weight

Calculation of Savings[1]

Weight (Pounds)	DDU-Volume-Weighted Intra-BMC Local Revenue [A]			Machinable Pieces [B]	Nonmachinable Pieces [C]	Balloon-Rate Pieces [D]	All Regular-Size Pieces Combined [E]
1	7,528,603						
2	65,421,871						
3	74,864,311						
4	53,826,189	[a]	Average Cubic Feet Per Piece	0.597	2.244	2.244	
5	39,204,710						
6	29,126,919	[b]	Transportation Savings ($ Per Cubic Foot)	1.872	1.872	1.872	
7	22,200,678						
8	17,725,653	[c]	Transportation Savings ($ Per Wt. Avg. Piece)	1.118	4.201	4.201	1.343
9	13,199,000						
10	10,499,088	[d]	Non Transportation Savings ($ Per Piece)	1.554	3.619	3.619	1.705
11	8,135,886						
12	6,387,554	[e]	RDU Projected Regular-Sized Volumes	1,666,534	107,040	24,189	1,797,763
13	5,189,578						
14	5,174,970	[f]	Total DDU-Volume-Weighted Revenue				
15	4,322,655		Using Benchmark (Intra-BMC Local) Rates:				405,314,456
16	3,302,804						
17	2,794,205	[g]	Weighted Average Benchmark Revenue Per Piece				3.889
18	2,471,928						
19	2,026,890	[h]	Weighted Average Savings Per Piece				3.047
20	1,951,661						
21	1,749,219	[i]	Adjustment Factor				0.6200
22	1,444,341						
23	1,334,489	[k]	Proposed Average Price				2.00
24	1,478,755						
25	1,144,907						
26	1,199,683						
27	1,033,291						
28	1,354,073						
29	879,561						
30	3,152,144						
31	1,075,120						
32	635,403						
33	532,591						
34	435,136						
35	404,468						
36	388,980						
37	323,543						
38	282,786						
39	274,289						
40	262,364						
41	241,005						
42	250,531						
43	197,198						
44	186,175						
45	207,945						
46	172,095						
47	179,280						
48	136,833						
49	106,427						
50	111,132						
51	185,231						
52	115,999						
53	173,758						
54	142,377						

55	108,856
56	136,959
57	124,113
58	62,745
59	65,969
60	51,858
61	120,860
62	122,186
63	45,004
64	43,004
65	39,292
66	42,164
67	34,879
68	17,906
69	13,920
70	15,168
Balloon	7,123,288

Notes

[1] Calculation: Column [A], rows 1 Pound to 70 Pounds = (Current Parcel Post Rates (WP-PRS-2), Intra-BMC Local Rate by weight) * (R2001-1 TYAR Volumes (WP-PRS-4), DDU pieces by weight)
Calculation: Column [A], Balloon row = (Current Parcel Post Rates (WP-PRS-2), Intra-BMC Local 15-pound Rate) * (R2001-1 TYAR Volumes (WP-PRS-4), DDU Balloon pieces)
Source: [Ba]: (WP-PRS-1, Input [19])
[Ca], [Da]: (WP-PRS-1, Input [20])
[Bb] to [Db]: (WP-PRS-1, Input [10])
Calculation: Row [c], Columns [B] to [D] = Row [a] * Row [b], Columns [B] to [D]
[Ec] = ([Bc]*[Be] + [Cc]*[Ce] + [Dc]*[De]) / [Ee]
Source: [Bd]: (WP-PRS-1, -Input [12])
[Cd], [Dd]: (WP-PRS-1, -Input [13])
Calculation: [Ed] = ([Bd]*[Be] + [Cd]*[Ce] + [Dd]*[De]) / [Ee]
Calculation: [Be] = (WP-PRS-1, Input [5]) * (1- (R2001-1 TYAR Volumes (WP-PRS-4), Sum of DDU Balloon and Oversize volumes) / (R2001-1 TYAR Volumes (WP-PRS-4), Total DDU volume) * (1 - WP-PRS-1, Input [4])
[Ce] = [Be] / (1 - (WP-PRS-1, Input [4])) * (WP-PRS-1, Input [4])
[De] = (WP-PRS-1, Input [5]) * (R2001-1 TYAR Volumes (WP-PRS-4), DDU Balloon volume) / (R2001-1 TYAR Volumes (WP-PRS-4), Total DDU volume)
[Ee] = Sum of [Be], [Ce], [De].
Calculation: [Ef] = (Sum of Column [A], Rows 1 pound to Balloon)
Calculation: [Eg] = [Ef] / (R2001-1 TYAR Volumes (WP-PRS-4), Sum of DDU volumes for 1 pound to Balloon)
Calculation: [Eh] = [Ec] + [Ed]
Source: [Fj]: Assumption
Calculation: [Ek] = [Eg] - ([Ej] * [Eh]), rounded to whole cents.

USPS-T-3
WP-PRS-8

Distribution of Cost Savings by Weight

		Machinable Return BMC All Zones [A]	Nonmachinable Return BMC All Zones [B]
	Savings[1]		
[a]	Non-Transportation (Per Piece)	0.0580	0.1190
[b]	Transportation (Per Cubic Foot)	1.6730	1.6730
[c]	Cubic Feet Per Piece	0.5970	2.2440

Calculation of Savings[2]

Weight (Pounds)	Machinable Return BMC All Zones [A]	Nonmachinable Return BMC All Zones [B]
1	371,287	76,010
2	2,867,864	587,112
3	2,097,296	429,361
4	1,106,799	226,585
5	801,862	164,158
6	588,334	120,444
7	413,863	84,727
8	291,326	59,641
9	226,473	46,364
10	170,828	34,972
11	145,350	29,756
12	128,647	26,337
13	87,537	17,921
14	82,173	16,823
15	68,841	14,093
16	54,891	11,237
17	49,637	10,162
18	41,564	8,509
19	59,353	12,151
20	38,357	7,852
21	29,164	5,971
22	28,837	5,903
23	25,253	5,170
24	36,066	7,383
25	15,718	3,218
26	18,756	3,840
27	16,157	3,308
28	18,728	3,834
29	14,071	2,881
30	12,583	2,576
31	22,774	4,662
32	14,178	2,903
33	10,641	2,178
34	6,441	1,319
35	6,764	1,385
36		20,506
37		14,936
38		15,833
39		15,347
40		15,335
41		19,664
42		23,365
43		24,745
44		31,271

RBMC

		Pieces Weighing 1 to 35 Pounds [C]	Pieces Weighing Over 35 Pounds [D]	Balloon-Rate Pieces [E]
[d]	Calculated Savings	12,009,154	343,588	530,668
[e]	Total Pieces	9,959,693	88,709	137,061
[f]	Average Savings/Piece	1.206	3.873	3.873
[g]	Starting Differential	0.83	0.83	
[h]	Increment	-	0.02	

Workbook Tab: RBMC Savings Calculation

		45		17,351	
		46		13,115	
		47		9,950	
		48		6,431	
		49		5,132	
		50		4,525	
		51		7,776	
		52		4,538	
		53		9,447	
		54		6,258	
		55		4,387	
		56		6,027	
		57		5,615	
		58		2,597	
		59		6,394	
		60		24,664	
		61		7,450	
		62		4,419	
		63		1,915	
		64		1,798	
		65		1,583	
		66		1,487	
		67		3,350	
		68		5,382	
		69		611	
		70		385	
		Balloon		530,868	

Notes

[1] Source: [Aa]: WP-PRS-1, -Input [15]
[Ba]: WP-PRS-1, -Input [16]
[Ab],[Bb]: WP-PRS-1, -Input [11]
[Ac]: WP-PRS-1, Input [19]
[Bc]: WP-PRS-1, Input [20]

[2] Calculation: Column [A], pounds 1 to 35 = ([Aa] + [Ab]*[Ac]) * (RBMC Volume Distribution (WP-PRS-6), RBMC Totals, pounds 1-35)
* (1 - (RBMC Volume Distribution (WP-PRS-6), RBMC Nonmachinable share under 36 pounds))
Column [B], pounds 1 to 35 = ([Ba] + [Bb]*[Bc]) * (RBMC Volume Distribution (WP-PRS-6), RBMC Totals, pounds 1-35)
* (RBMC Volume Distribution (WP-PRS-6), RBMC Nonmachinable share under 36 pounds)
Column [B], pounds 36 to 70, plus Balloon = ([Ba] + [Bb]*[Bc]) * (RBMC Volume Distribution (WP-PRS-6), RBMC Totals, pounds 36 to 70, plus Balloon)

Calculation: [Cd] = (Sum of Columns [A] and [B], pounds 1-35)
[Ce] = (Sum of RBMC Volume Distribution (WP-PRS-6), RBMC Totals Column, pounds 1-35)
[Cf] = [Cd] / [Ce]

Source: [Cg], [Ch]: (Assumed)

Calculation: [Dd] = (Sum of Column [B], pounds 36-70)
[De] = (Sum of RBMC Volume Distribution (WP-PRS-6), RBMC Totals Column, pounds 36-70)
[Df] = [Dd] / [De]

Source: [Dg], [Dh]: (Assumed)

Calculation: [Ed] = (Column [B], Balloon row)
[Ee] = (RBMC Volume Distribution (WP-PRS-6), RBMC Totals Column, Balloon row)
[Ef] = [Ed] / [Ee]

USPS-T-3
WP-PRS-9

Oversized Mail Savings Calculation

		Unit Cost Savings[1] [A]
	RDU Savings	
[a]	Non-Transportation (Per Piece)	$ 9.160
[b]	Transportation (Per Piece)	$ 12.527
[c]	Adjustment Factor	0.750
[d]	Adjusted Total	$ 16.266
	RBMC Savings	
[e]	Non-Transportation (Per Piece)	$ 0.116
[f]	Transportation (Per Piece)	$ 11.196
[g]	Adjustment Factor	0.750
[h]	Adjusted Total	$ 8.484

Notes

[1] Source: [Aa]: (WP-PRS-1, Input [14])
Calculation: [Ab] = (WP-PRS-1, Input [10] * Input [21])
Source: [Ac]: Assumption
Calculation: [Ad] = ([Aa] + [Ab]) * [Ac]
Source: [Ae]: (WP-PRS-1, Input [17])
Calculation: [Af] = (WP-PRS-1, Input [11] * Input [21])
Source: [Ag]: Assumption
Calculation: [Ah] = ([Ae] + [Af]) * [Ag]

Workbook Tab: Oversized Cost Savings

USPS-T-3
WP-PRS-10

Proposed Parcel Select Return Service Rates

Proposed Rates	RDU[1]	RBMC[2]			
Weight (Pounds)	RDU [A]	RBMC Zones 1 & 2 [B]	RBMC Zone 3 [C]	RBMC Zone 4 [D]	RBMC Zone 5 [E]
1	2.00	2.10	2.13	2.19	2.28
2	2.00	2.67	2.70	2.77	2.88
3	2.00	3.22	3.25	3.34	3.46
4	2.00	3.42	3.76	3.86	4.00
5	2.00	3.59	4.16	4.29	4.49
6	2.00	3.75	4.52	4.65	4.94
7	2.00	3.90	4.83	4.98	5.35
8	2.00	4.47	5.12	5.28	5.74
9	2.00	4.60	5.36	5.59	6.09
10	2.00	4.77	5.67	5.88	6.42
11	2.00	4.90	5.88	6.14	6.72
12	2.00	5.05	6.08	6.40	7.01
13	2.00	5.18	6.24	6.64	7.27
14	2.00	5.30	6.36	6.89	7.52
15	2.00	5.41	6.53	7.10	7.76
16	2.00	5.52	6.70	7.30	7.98
17	2.00	5.65	6.86	7.52	8.19
18	2.00	5.74	7.01	7.71	8.38
19	2.00	5.86	7.16	7.89	8.57
20	2.00	5.96	7.30	8.05	8.74
21	2.00	6.05	7.44	8.20	8.91
22	2.00	6.16	7.56	8.34	9.06
23	2.00	6.24	7.72	8.48	9.21
24	2.00	6.33	7.84	8.60	9.36
25	2.00	6.41	7.96	8.72	9.49
26	2.00	6.51	8.07	8.85	9.62
27	2.00	6.59	8.20	8.96	9.74
28	2.00	6.66	8.32	9.05	9.86
29	2.00	6.75	8.44	9.16	9.97
30	2.00	6.83	8.54	9.26	10.07
31	2.00	6.91	8.62	9.35	10.18
32	2.00	7.00	8.74	9.45	10.27
33	2.00	7.06	8.84	9.53	10.37
34	2.00	7.14	8.92	9.61	10.45
35	2.00	7.20	9.03	9.69	10.54
36	2.00	8.65	10.49	11.14	12.00
37	2.00	8.72	10.56	11.20	12.06
38	2.00	8.76	10.63	11.25	12.11
39	2.00	8.82	10.71	11.29	12.16
40	2.00	8.85	10.76	11.33	12.21
41	2.00	8.92	10.85	11.37	12.26
42	2.00	8.95	10.90	11.42	12.30
43	2.00	8.99	10.96	11.46	12.33
44	2.00	9.04	11.02	11.50	12.36
45	2.00	9.07	11.07	11.64	12.39
46	2.00	9.14	11.14	11.67	12.42
47	2.00	9.19	11.18	11.70	12.45
48	2.00	9.22	11.25	11.72	12.48
49	2.00	9.27	11.30	11.75	12.51

Workbook Tab: Parcel Select Returns Rates

50	2.00	9.28	11.35	11.77	12.54
51	2.00	9.35	11.39	11.80	12.57
52	2.00	9.39	11.47	11.82	12.60
53	2.00	9.40	11.50	11.83	12.63
54	2.00	9.44	11.52	11.86	12.66
55	2.00	9.48	11.54	11.89	12.69
56	2.00	9.52	11.56	11.91	12.72
57	2.00	9.57	11.56	11.91	12.75
58	2.00	9.60	11.58	11.93	12.78
59	2.00	9.63	11.59	11.95	12.81
60	2.00	9.68	11.60	11.95	12.84
61	2.00	9.72	11.61	11.97	12.87
62	2.00	9.75	11.62	12.01	12.90
63	2.00	9.78	11.62	12.06	12.93
64	2.00	9.82	11.62	12.09	12.96
65	2.00	9.85	11.64	12.13	12.99
66	2.00	9.90	11.64	12.18	13.02
67	2.00	9.94	11.65	12.23	13.05
68	2.00	9.94	11.65	12.25	13.08
69	2.00	9.99	11.65	12.30	13.11
70	2.00	10.02	11.65	12.34	13.14
Balloon[3]	2.00	5.41	6.53	7.10	7.76
Oversized	7.51	25.99	26.31	27.00	28.05

Surcharge (Per Piece)[4]

Nonmachinable Surcharge (Nonmachinable pieces weighing less than 36 pounds)

RBMC Pieces 1.35

Notes

[1] Source: Column [A], 1 pound to 70 pounds plus Balloon:
RDU Savings Calculation (WP-PRS-7), [Ek]
Calculation: Column [A], Oversized row =
(Current Parcel Post Rates (WP-PRS-2), Intra-BMC Local Oversized Rate) -
(Oversized Cost Savings (WP-PRS-9), [Ad])

[2] Calculation: Columns [B] to [E], 1 pound to 35 pounds =
(Current Parcel Post Rates (WP-PRS-2), Intra-BMC zoned rates -
Barcode Discount) - (RBMC Savings Calculation (WP-PRS-8), [Cg])
Columns [B] to [E], 36 pounds =
(Current Parcel Post Rates (WP-PRS-2), Intra-BMC zoned rates +
Intra-BMC Nonmachinable Surcharge) -
(RBMC Savings Calculation (WP-PRS-8), [Dg])
Columns [B] to [E], 37 to 70 pounds = (Rate from previous row) +
(Current Parcel Post Rates (WP-PRS-2), Intra-BMC zoned rates +
Intra-BMC Nonmachinable Surcharge) -
(RBMC Savings Calculation (WP-PRS-8), [Dg]) -
(RBMC Savings Calculation (WP-PRS-8), [Dh]) * (#pounds over 36)
(Constrained to at least equal previous weight cell)
Columns [B] to [E], Balloon row = Rate for 15-pound parcel
Columns [B] to [E], Oversized row =
(Current Parcel Post Rates (WP-PRS-2), Intra-BMC zoned Oversized rates) -
(Oversized Cost Savings (WP-PRS-9), [Ah])

[3] Parcels weighing less than 15 pounds and measuring between 84 and 108 inches in length plus girth pay the balloon rate

[4] Nonmachinable RBMC parcels weighing 35 pounds or less pay the RBMC surcharge in addition to the appropriate RBMC rate
Source: (WP-PRS-2), Intra-BMC and Inter-BMC Nonmachinable Surcharges

USPS-T-3
WP-PRS-11

Proposed BPM Parcel Return Service Rates

Weight (Pounds)	RBMC[1] RBMC Zones 1 & 2 [A]	RBMC Zone 3 [B]	RBMC Zone 4 [C]	RBMC Zone 5 [D]
1.0	$1.63	$1.68	$1.72	$1.80
1.5	$1.63	$1.68	$1.72	$1.80
2.0	$1.70	$1.76	$1.82	$1.92
2.5	$1.77	$1.85	$1.92	$2.05
3.0	$1.84	$1.93	$2.02	$2.17
3.5	$1.91	$2.02	$2.12	$2.30
4.0	$1.98	$2.10	$2.22	$2.42
4.5	$2.05	$2.19	$2.32	$2.55
5.0	$2.12	$2.27	$2.42	$2.67
6.0	$2.26	$2.44	$2.62	$2.92
7.0	$2.40	$2.61	$2.82	$3.17
8.0	$2.54	$2.78	$3.02	$3.42
9.0	$2.68	$2.95	$3.22	$3.67
10.0	$2.82	$3.12	$3.42	$3.92
11.0	$2.96	$3.29	$3.62	$4.17
12.0	$3.10	$3.46	$3.82	$4.42
13.0	$3.24	$3.63	$4.02	$4.67
14.0	$3.38	$3.80	$4.22	$4.92
15.0	$3.52	$3.97	$4.42	$5.17

Notes

[1] Calculation: Columns [A] to [D], 1.0 pound to 15 pounds =
(Current BPM Single Piece Rates (WP-PRS-3), Rates by zone and weight -
(RBMC Savings Calculation (WP-PRS-8), ([Aa] + [Ab]*[Ac])*0.2) -
Barcode discount)

Workbook Tab: BPM Returns Rates

USPS-T-3
WP-PRS-12

Revenue Impacts

Summary of Revenue Impacts[1]

		[A]
[a]	PSRS RDU	(3,432,729)
[b]	PSRS RBMC	(8,899,747)
[c]	BPMRS RBMC	(1,800,000)

Return BMC Revenue Impact Detail[2]

Weight (Pounds)	RBMC Zones 1 & 2 [A]	RBMC Zone 3 [B]	RBMC Zone 4 [C]	RBMC Zone 5 [D]
1	(255,913)	(48,062)	(15,053)	-
2	(1,996,469)	(404,839)	(62,897)	-
3	(1,416,017)	(333,407)	(52,673)	-
4	(732,637)	(185,462)	(32,916)	-
5	(536,249)	(130,203)	(22,546)	-
6	(390,317)	(98,696)	(16,512)	-
7	(274,301)	(71,618)	(9,693)	-
8	(195,922)	(46,230)	(8,169)	-
9	(151,213)	(37,174)	(6,209)	-
10	(117,888)	(24,033)	(4,863)	-
11	(99,028)	(22,529)	(3,335)	-
12	(86,157)	(20,961)	(3,421)	-
13	(62,353)	(10,362)	(2,501)	-
14	(58,897)	(10,467)	(1,242)	-
15	(48,049)	(9,333)	(1,770)	-
16	(35,344)	(10,268)	(1,552)	-
17	(32,944)	(7,998)	(1,709)	-
18	(29,342)	(6,023)	(349)	-
19	(45,072)	(5,721)	(205)	-
20	(27,557)	(4,861)	(540)	-
21	(22,069)	(2,584)	(406)	-
22	(20,031)	(3,878)	(869)	-
23	(18,578)	(2,490)	(631)	-
24	(26,119)	(4,532)	(338)	-
25	(12,308)	(1,195)	(3)	-
26	(13,113)	(2,505)	(498)	-
27	(10,601)	(3,138)	(143)	-
28	(14,939)	(1,043)	(110)	-
29	(10,961)	(955)	(174)	-
30	(9,040)	(906)	(866)	-
31	(18,203)	(1,254)	(111)	-
32	(10,947)	(1,182)	(54)	-
33	(7,540)	(1,181)	(423)	-
34	(4,744)	(791)	-	-
35	(4,803)	(735)	(274)	-
36	(3,677)	(717)	-	-
37	(2,906)	(360)	(11)	-
38	(3,046)	(398)	(113)	-
39	(2,999)	(440)	(88)	-
40	(3,472)	(64)	(67)	-
41	(4,412)	(310)	-	-
42	(5,449)	(238)	(44)	-

		43	(5,665)	(532)	-	-
		44	(5,417)	(2,562)	(15)	-
		45	(4,069)	(208)	(247)	-
		46	(3,100)	(388)	-	-
		47	(2,378)	(283)	(37)	-
		48	(1,754)	(23)	-	-
		49	(1,434)	(10)	-	-
		50	(1,280)	(17)	-	-
		51	(1,615)	(654)	-	-
		52	(1,347)	-	-	-
		53	(2,420)	(434)	-	-
		54	(1,923)	-	-	-
		55	(1,370)	-	-	-
		56	(1,914)	-	-	-
		57	(1,735)	(77)	-	-
		58	(833)	(19)	-	-
		59	(1,963)	(167)	-	-
		60	(7,645)	(697)	-	-
		61	(2,346)	(213)	-	-
		62	(1,521)	(19)	-	-
		63	(593)	(84)	-	-
		64	(645)	-	-	-
		65	(576)	-	-	-
		66	(549)	-	-	-
		67	(1,170)	-	(84)	-
		68	(2,043)	-	-	-
		69	(235)	-	-	-
		70	(150)	-	-	-
		Balloon	(93,611)	(20,905)	(3,357)	-
		Oversized	(85,383)	(28,272)	(9,616)	-
[d]	**All BPM Weights**		(1,476,000)	(270,000)	(54,000)	-

Notes

[1] Calculation: [Aa] = (RDU Savings Calculation (WP-PRS-7), [Ee]) *
(Parcel Select Returns Rates (WP-PRS-10), 1-pound rate -
RDU Savings Calculation (WP-PRS-7), [Eg]) +
(WP-PRS-1, Input [5] - (RDU Savings Calculation (WP-PRS-7), [Ee])) *
(Parcel Select Returns Rates (WP-PRS-10), RDU Oversize Rate -
Current Parcel Post Rates (WP-PRS-2), Intra-BMC Local Oversize Rate)
[Ab] = Sum of Columns [A] to [D], 1-pound row to Oversized row
[Ac] = Sum of Columns [A] to [D], Row [d]

[2] Calculation: Columns [A] to [D], 1-pound to 35 pounds, and Oversize row =
(Parcel Select Returns Rates (WP-PRS-10), Columns [B] to [E] -
Current Parcel Post Rates (WP-PRS-2), Intra-BMC Zoned Rates) *
(RBMC Volume Distribution (WP-PRS-6), Return BMC Pieces, Zones 1 to 5)
Columns [A] to [D], 36-pounds to 70 pounds =
(Parcel Select Returns Rates (WP-PRS-10), Columns [B] to [E] -
Current Parcel Post Rates (WP-PRS-2), (Intra-BMC Zoned Rates +
Intra-BMC Nonmachinable Surcharge)) *
(RBMC Volume Distribution (WP-PRS-6), Return BMC Pieces, Zones 1 to 5)
Columns [A] to [D], Balloon row =
(Parcel Select Returns Rates (WP-PRS-10), Cols. [B] to [E], Balloon row -
Current Parcel Post Rates (WP-PRS-2), Intra-BMC Zoned 15-Pound Rates) *
(RBMC Volume Distribution (WP-PRS-6), RBMC Balloon Pcs., Zones 1 to 5)
Columns [A] to [D], Row [d] =
(BPM Returns Rates (WP-PRS-11), RBMC 1.0 pound rates -
Current BPM Single Piece Rates (WP-PRS-3), 1.0 pound rates) *
(WP-PRS-1, (Input [7]) * (Input [8]) * (Inputs [9a] to [9d]))

USPS-T-3
WP-PRS-13

Financial Summary

		Volume [1] [A]	Cost Savings [2] [B]	Revenue Reduction [3] [C]	Savings Passthrough [4] [D]
	Parcel Select				
[a]	RDU	1,800,000	$5,526,988	$3,432,729	62.1%
[b]	RBMC	10,200,000	$13,331,028	$8,899,747	66.8%
	Bound Printed Matter				
[c]	RBMC	7,500,000		$1,800,000	

Notes

[1] Source: [Aa]: (WP-PRS-1, Input [5])
[Ab]: RBMC Forecast (WP-PRS-6), [Ae]
[Ac]: (WP-PRS-1, Input [7] * Input [8])

[2] Calculation: [Ba] = (RDU Savings Calculation (WP-PRS-7, [Ee]) *
(RDU Savings Calculation (WP-PRS-7), [Ec] + [Ed]) +
((WP-PRS-1, Input [5]) - (RDU Savings Calculation (WP-PRS-7), [Ee])) *
(Oversized Cost Savings (WP-PRS-9), [Aa] + [Ab])
Calculation: [Bb] = (RBMC Savings Calculation (WP-PRS-8), [Cd] + [Dd] + [Ed]) +
(RBMC Savings Calculation (WP-PRS-8), [Ce]) * (WP-PRS-1, Input [18]) *
(1 - RBMC Volume Distribution (WP-PRS-6), RBMC Nonmachinables share < 35 pounds) +
(Oversized Cost Savings (WP-PRS-9), [Ae] + [Af]) *
(RBMC Volume Distribution (WP-PRS-6), RBMC Total column, Oversized row)

[3] Source: [Ca] to [Cc]: Revenue Impacts (WP-PRS-12), [Aa] to [Ac]

[4] Calculation: [D] = [C] / [B]

POSTAL RATE COMMISSION
DOCKET NO. MC2003-2
DECLARATION OF JAMES KIEFER

I hereby declare, under penalty of perjury, that:

The Direct Testimony of James Kiefer on Behalf of United States Postal Service, USPS-T-3, was prepared by me or under my direction;

if I were to give this testimony before the Commission orally today, it would be the same;

I also prepared the interrogatory responses which were filed under my signature and which have been designated for inclusion in the record of this docket;

and that if I were to respond to these interrogatories orally today, the responses would be the same.

James M Kiefer

James Kiefer

Date: 8-1-03

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JAMES KIEFER TO INTEROGATORIES OF THE ASSOCIATION OF AMERICAN PUBLISHERS

AAP/USPS-T3-1. Please confirm that, with respect to the Bound Printed Matter Return Service ("BPMRS"), the returned parcel must be retrieved by the mailer at the first BMC the parcel reaches after it is mailed by the customer.

RESPONSE:

Not confirmed. The parcel must be retrieved at the RBMC identified on the BPMRS label affixed to the returned parcel. See the testimony of witness Gullo (USPS-T-1, at 5). The Postal Service expects that the great majority of BPMRS parcels will be entered within the service areas of the RBMCs identified on the BPMRS labels, but is aware that in a small number of cases some parcels may not be. If a customer enters a BPMRS parcel outside the service area of the RBMC on the label, the parcel would travel first to the BMC serving the entry point, then to the RBMC on the label, where it would be retrieved by the shipper or the shipper's agent.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JAMES KIEFER TO INTEROGATORIES OF THE ASSOCIATION OF AMERICAN PUBLISHERS

AAP/USPS-T3-2. Please refer to WP-PRS-1. Please explain the basis for the input assumption that certain BPMRS volume (identified as BPMRS RBMC volumes on the workpaper) will be received at zones 3 and 4. Please explain how receipt of BPRMS mail at zones 3 and 4 would constitute the first BMC the parcel reaches after mailing by the customer.

RESPONSE:

The distribution estimates for BPMRS volume were developed using information obtained during discussions with likely potential users of the return service. I believe it is a reasonable profile. BPMRS is conceptually similar, in terms of gross mail flow, to a reverse DBMC. Under normal circumstances, the returns parcels are expected to travel from the consumer's home address to the BMC that serves that address. Our experience with BPM DBMC, as documented in the BPM billing determinants, shows that BPM pieces entered at the DBMC are delivered as far away as Zone 5, with many millions of pieces going to Zones 3 and 4. It is reasonable to expect that some of those outbound pieces may be returned and travel a similar distance back to the BMC.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JAMES KIEFER TO INTEROGATORIES OF THE ASSOCIATION OF AMERICAN PUBLISHERS

AAP/USPS-T3-3. Please refer to Attachment B of your testimony. Please explain the basis for including BPMRS rates to zones 3-5. Please explain how receipt of BPRMS mail at zones 3-5 would constitute the first BMC the parcel reaches after mailing by the customer.

RESPONSE:

Please see the response to AAP/USPS-T3-2.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JAMES KIEFER TO INTEROGATORIES OF THE ASSOCIATION OF AMERICAN PUBLISHERS

AAP/USPS-T3-4. In developing the BPMRS proposal, did the Postal Service consider structuring BPMRS in a manner that would allow a mailer to retrieve parcels at a BMC other than the first BMC the parcel reaches after it is mailed by the customer? If your response is yes, please describe the content of such alternative proposals and explain why such proposals were not included as part of the Postal Service's request in this proceeding. If your response is no, please explain why such alternative proposals were not considered.

RESPONSE:

Yes. The Postal Service examined the possibility of offering a service that would allow BPM mailers or their agents to pick up return parcels at the BMC that serves the customer's delivery address (generally the first BMC reached, or "local" BMC), or at another BMC (the "non-local" BMC), whichever was specified in the address on the BPMRS return label. Parcels picked up at the non-local BMC would have received a smaller discount off BPM single piece rates than parcels picked up at the local BMC. Other features of the two-BMC service would have been essentially the same as those of the BPM RBMC service that was eventually proposed. Postal Service management considered a number of configurations for Parcel Return Services, including one with a two-BMC option for BPM. After deliberation, management decided to approve a request for a more limited experiment that would include only the local-BMC option.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JAMES KIEFER TO INTEROGATORIES OF THE ASSOCIATION OF AMERICAN PUBLISHERS

AAP/USPS-T3-5. Please refer to page 7, lines 1 to 3, of your testimony where you state: "[a]ll BPM parcel rates reflect the relatively lower costs of handling BPM pieces, particularly as weight increases, owing to the relatively compact nature of these parcels." Please explain how the compact size and low cost of handling BPM mail pieces affected the rate design for BPMRS.

RESPONSE:

The compact size and relatively lower cost of handling BPM pieces are reflected in the benchmark, or starting, rates chosen for BPMRS: the BPM single-piece rates. These rates are already substantially lower than the comparable Intra-BMC zoned rates, which were the rates used as the benchmark for PSRS RBMC rates. As stated in my testimony (USPS-T-3, at 7, lines 6-8), we do not have any cost studies that specifically estimate the savings for a BPM return, as opposed to a Parcel Post return. But it is reasonable to assume that the factors that make BPM relatively less costly to process and transport would also make the costs avoided by PRS worksharing also relatively smaller than those from worksharing a less compact, less dense parcel. For these reasons, I decided to limit the explicit recognition of the lower cost characteristics of BPM return parcels to what was already expressed in the benchmark rates for BPMRS.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JAMES KIEFER TO INTEROGATORIES OF THE ASSOCIATION OF AMERICAN PUBLISHERS

AAP/USPS-T3-6. Please refer to Attachment D of your testimony. Please provide the cost savings and savings passthrough for Bound Printed Matter RBMC mail. In addition, please provide the per piece cost savings for Bound Printed Matter RBMC mail.

RESPONSE:

As stated in my testimony (USPS-T-3, at 7, lines 6-8), we do not have any cost studies that specifically estimate the savings for a BPM return, as opposed to a Parcel Post return. This is the reason why I am not able to report any cost savings, cost savings passthrough, or per-piece cost savings for BPMRS RBMC mail.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JAMES KIEFER TO INTEROGATORIES OF THE ASSOCIATION OF AMERICAN PUBLISHERS

AAP/USPS-T3-7. Please refer to WP-PRS-8. Please confirm that the cost savings per piece of BPMRS RBMC mail by weight (1-35 pounds) is 1.206. If you are not able to confirm, please provide the actual cost savings per piece (by weight) of BPMRS mail.

RESPONSE:

Not confirmed. The figure cited in the question is the average cost savings for all PSRS RBMC pieces weighing up to 35 pounds, not for BPMRS pieces. Please see my response to AAP/USPS-T3-6. As stated in that response, I am unable to provide cost savings data for BPMRS RBMC pieces because we do not have any cost studies that specifically address the costs saved by BPMRS pieces. Please also see my response to AAP/USPS-T3-5. For the reasons cited in that response, it is reasonable to believe that the BPMRS RMBC cost savings would be smaller than the figure mentioned in question AAP/USPS-T3-7. The PSRS RBMC per-piece savings probably overstates the costs avoided by BPMRS RBMC parcels for at least one additional reason. BPMRS RBMC pieces will not include parcels weighing more than 15 pounds, whereas the PSRS RBMC average cost savings figure also includes savings from moderately heavy parcels weighing from 16 to 35 pounds.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JAMES KIEFER TO INTEROGATORIES OF THE AMERICAN POSTAL WORKERS UNION, AFL-CIO

APWU/USPS-T3-1. Witness Gullo states (p. 12-13) that pieces returned to a post office different from the RDU to which they are addressed will be transported to the BMC and handled as RBMC returns. What is your estimate of the number of parcels that will receive such handling? How do you account for the cost of handling these parcels?

RESPONSE:

I have not made any estimate of the number or share of such parcels. This number is one of the data items we hope to learn from the experiment. While the number or share is unknown, it is not likely to pose a problem to PRS. Once entered, these parcels are expected to receive the same handling as parcels originally entered as RBMC parcels, and they will pay RBMC rates. It is my understanding that, since these parcels will be treated as RBMC parcels, their cost impacts would be similar to those modeled by witness Eggleston for RBMC parcels.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JAMES KIEFER TO INTEROGATORIES OF THE AMERICAN POSTAL WORKERS UNION, AFL-CIO

APWU/USPS-T3-3. In your testimony (pp.8,9) you state that you used various weight and volume estimates from docket R2001-1. Please detail to what extent those weight and volume estimates vary from actual FY2001 and FY2002 distributions and why you determined that the estimates were more useful than actual experience.

RESPONSE:

I have compared the R2001-1 distribution for DDU (used for RDU parcels) and for DBMC Zones 1&2 and Zone 3 (used for RBMC parcels) with billing determinants for FY 2001 and FY 2002. In my judgment, the differences between these three distributions are not substantial. For example, the accompanying table illustrates the cumulative share of parcels weighing 0-5 pounds, 0-10 pounds, 0-15 pounds, and 0-35 pounds for the three distributions. The volumes in DBMC Zones 4 and 5 are relatively small and do not figure significantly into the analysis. The table shows that the cumulative volume shares do not vary much among these three distributions. Based on the small variation and the way the volume distributions are used in my workpapers, I do not believe that either of the two alternative distributions would have had a major impact on the pricing I would have proposed.

I do not think that using either of the alternative volume profiles would have introduced any significant problem into my analyses. I also believe that there is merit in using data and assumptions drawn from a consistent data pool to the extent it is practicable to do so. Since using one of the different distributions would not likely have a material impact on my proposed rates, I believe it is better to opt for the R2001-1 distribution, as it is consistent with most of the other assumptions used by witness Eggleston and myself.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JAMES KIEFER TO INTEROGATORIES OF THE AMERICAN POSTAL WORKERS UNION, AFL-CIO

APWU/USPS-T3-4. On page 12 of your testimony you provide volume estimates for RDU, RBMC and BPMRS packages expected in a year. Are the estimates limited to volumes generated by participants in the experiment? If so, is it possible for the Postal Service to determine the likely volume for this service when offered to all customers? How might the experiment aid in such estimates?

RESPONSE:

No, I did not develop my volume estimates with any specific number of participants in mind. I am informed that the Postal Service does not expect that it will reach the participation limits cited by witness Gullo in Section IX of his testimony (USPS-T-1). In that case, the experience gained during the experiment should serve as a useful guide to the likely demand for PRS if the Postal Service does request approval of a permanent, unlimited, classification.

If, to the contrary, the Postal Service does receive more applications to participate in the experiment than it has slots available, there are two factors that may help us to project the usage for a permanent, unlimited, PRS classification.

- While we expect to include smaller shippers or agents among the participants, we believe that the limits (20 the first year, and 30 the second year) are high enough that the companies most likely to generate the great majority of the PRS volume will probably not be excluded. For this reason, we would not expect a large relative increase in usage from removing participation limits.
- All participants will have to submit applications to join the experiment. Among other things, applicants will be asked to estimate their expected volumes. This information should help us to gauge some of the additional volume that might occur once participant limits are lifted.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JAMES KIEFER TO INTEROGATORIES OF THE AMERICAN POSTAL WORKERS UNION, AFL-CIO

APWU/USPS-T3-5. In responding to APWU/USPS-T3-4 you indicate that the Postal Service expects fewer than 20 participants in this experiment in the first year. What are your expectations on the number of participants using RDU/RBMC? What are your expectations on the number of participants using BPMRS? Do you anticipate any participants to use both sets of services?

RESPONSE:

I am assuming that, in the question, RDU/RBMC refers to PSRS RDU and RBMC parcels as distinct from BPMRS RBMC parcels. Since there are no essential distinctions between PSRS RBMC and BPMRS RBMC services other than the labels and the rates, I believe it is likely that some participants, particularly those who serve as agents for mailers, will handle parcels under both PSRS and BPMRS services. From contacts that the Postal Service has had with potential customers, I understand that the more probable division will occur between participants picking up RDU parcels and those picking up RBMC parcels, rather than between those picking up PSRS and BPMRS RBMC parcels. Some participants may only pick up PSRS parcels and others only pick up BPMRS parcels, but I have not made any specific estimates of the numbers of each of these two groups. I expect that the number of potential participants interested solely in BPMRS would be somewhat smaller than the number interested solely in PSRS.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JAMES KIEFER TO INTEROGATORIES OF THE AMERICAN POSTAL WORKERS UNION, AFL-CIO

APWU/USPS-T3-6. You indicate on page 12 of your testimony that the split between the projected number of RDU parcels and the projected number of RBMC parcels is based on discussions with mailers. Given the relatively small number of participants and the relatively large number of potential RDU sites, why do you believe the density of returned parcels per RDU will be high enough to generate 1.8 million RDU pick-ups? Do you anticipate some RDUs being significantly more popular than others?

RESPONSE:

As stated in witness Gullo's response OCA/USPS-T1-34, RDU service will be made available to mailers and their agents at approximately 6,500 larger delivery units ("early-bird" units). We do not expect all 6,500 facilities to be equally popular, and expect that some may not be targeted by mailers/agents at all. The decision about which "early-bird" sites to use will be determined by the participants and will depend on their individual economic and business calculations. Customers who normally receive mail from non-targeted "early-bird" sites could still be sent PSRS RBMC labels and have their return parcels picked up at the RBMC. Even if all 6,500 "early-bird" sites were to be targeted by mailers or agents, the projected RDU volume of 1.8 million pieces averages to approximately 277 pieces per unit per year, or about five pieces per RDU per week. While this may seem like a small number of parcels to justify a separate pickup visit, the economics would be much more favorable if the mailer/agent were to pick up these returns during an already scheduled drop-off stop for outgoing DDU parcels. For this reason, the Postal Service believes that the PSRS RDU service would appeal primarily to DDU drop-shippers.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JAMES KIEFER TO INTEROGATORIES OF THE AMERICAN POSTAL WORKERS UNION, AFL-CIO

APWU/USPS-T3-7. In your discussions with mailers, did you discuss the "conversion" of an RDU package to an RBMC package? Do mailers anticipate picking up both RBMCs and RDUs, wherever the packages end up? Has any mailer expressed concern with being charged higher RBMC rates when they were expecting to be charged an RDU rate for the return? Has any mailer expressed concern that their customers will be confused or inconvenienced by this unexpected change in the parcel return cost?

RESPONSE:

It is my understanding that the discussions that Product Development conducted with potential customers were at a higher, rather than detailed, level and the issue of the "conversion" of RDU parcels into RBMC parcels did not arise. Based on contacts with its customers, the Postal Service expects that mailers or agents who plan on participating in the RDU portion of the experiment will also visit BMCs, so that retrieving bypassed RDU parcels from RBMCs is not expected to be a problem for these customers.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JAMES KIEFER TO INTEROGATORIES OF THE AMERICAN POSTAL WORKERS UNION, AFL-CIO

APWU/USPS-T3-8. On page 10 of your testimony you make the statement that the proposed pricing passes through most of the aggregate savings projected for the RBMC rate category. However, in WP-PRS-13 the savings passthrough is calculated at approximately 67 percent. Please clarify your comment on page 10 with respect to the WP-PRS-13 savings passthrough.

RESPONSE:

The phrase "most of the aggregate savings" should be understood to be synonymous with "the majority of the aggregate savings" within the context of the statement on page 10 of my testimony. My workpaper WP-PRS-13 shows that a majority of the aggregate savings, 67%, were passed through in the form of discounts.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JAMES KIEFER TO INTEROGATORIES OF THE AMERICAN POSTAL WORKERS UNION, AFL-CIO

APWU/USPS-T3-9. On page 10 of your testimony you state that the savings passthroughs are lower for heavier parcels. At what weight do you begin reducing passthrough rates? If current actual parcel distributions contain more light weight parcels than was anticipated from the distributions in R2001-1, would that increase the overall passthrough percentage for the RBMC service?

RESPONSE:

In my rate design, nonmachinable parcels receive a lower passthrough of savings than machinable parcels. Since, at 35 pounds, parcels automatically become nonmachinable, at that weight the passthrough would drop based on weight alone. If the weight profile of the RBMC parcels, as opposed to the *current actual* parcel weight distribution (which, like the R2001-1 distribution, is only a proxy for the unknown RBMC weight distribution), has more lighter parcels than I assumed in my analysis, the rates I propose would contain a higher passthrough of cost savings than I have estimated for the PSRS RBMC product. But the impact on passthrough from including a larger share of lighter parcels in the mix would be tempered by the fact that light-to-medium weight, machinable pieces already make up the great majority of assumed PSRS RBMC volume.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JAMES KIEFER TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T3-1. Please refer to your testimony at page 3, lines 13 – 15. What is the rationale for having RBMC products weighed and rated by the recipient or the recipient's agent, but not RDU parcels?

RESPONSE:

RBMC rates vary by weight and distance (zone), so RBMC parcels need to be weighed and the zone determined to calculate the correct postage due. The weighing and rating for RBMC parcels will be performed by the participants in the experiment and the costs saved by the Postal Service are factored into the discounts offered for RBMC parcels. The rates for regular-sized RDU parcels do not vary by weight or zone. Therefore the postage due for these parcels can be determined from a simple piece count. Since the Postal Service will be scanning each RDU piece upon receipt by the shipper or shipper's agent, an electronic piece count will be available for each recipient with no further action required on the recipient's part.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JAMES KIEFER TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T3-2. Please refer to your testimony at page 4, lines 15 –16. What is the rationale for not proposing a Return Delivery Unit product for Bound Printed Matter?

RESPONSE:

There are two reasons. First, and most significantly, there did not appear to be an interest in a distinct BPM option. Second, RDU parcel processing would be expected to be the same, whether the parcel contained Parcel Post or Bound Printed Matter content. As discussed in my testimony (USPS-T-3, at 5, lines 14-15), the costs of handling RDU parcels are not expected to differ substantially from piece to piece. Given this consideration, and in the absence of cost studies specific to BPM, there did not appear to be a logical rationale for pricing a BPM-specific RDU product at a rate other than the $2.00 per piece proposed for Parcel Select Return Service RDU pieces.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JAMES KIEFER TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T3-3. Will Parcel Select Return Service for RBMC be available at every BMC in the U.S.? If not, please list separately the BMCs that will have PSRS RBMC available and those that will not.

RESPONSE:

Yes.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JAMES KIEFER TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T3-4. Will Parcel Select Return Service for RBMC be available at every ASF in the U.S.? If not, please list separately the ASFs that will have PSRS RBMC available and those that will not.

RESPONSE:

The Postal Service is investigating this issue and has not yet determined which ASFs, if any, might be included in the PSRS RBMC experiment. In making the determination, one criterion for including an ASF as an RBMC site would be that the operations would be similar to those modeled for BMC sites.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JAMES KIEFER TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T3-5. Will RBMC for Bound Printed Matter be available at every BMC in the U.S.? If not, please list separately the BMCs that will have BPM RBMC available and those that will not.

RESPONSE:

Yes.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JAMES KIEFER TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T3-6. Will RBMC for Bound Printed Matter be available at every ASF in the U.S.? If not, please list separately the ASFs that will have BPM RBMC available and those that will not.

RESPONSE:

The Postal Service is investigating this issue and has not yet determined which ASFs, if any, might be included in the BPMRS RBMC experiment. In making the determination, one criterion for including an ASF as an RBMC site would be that the operations would be similar to those modeled for BMC sites.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JAMES KIEFER TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T3-7. Will Parcel Select Return Service for RDU be available at every RDU in the U.S.? If not, please list those delivery offices that will have PSRS RDU available. If applicable, explain why some offices will have the product available, while other offices will not. If applicable, also describe any Postal Service plans to expand RDU to additional delivery offices over the course of the experiment.

RESPONSE:

The PSRS RDU product will be available at every RDU office in the U.S. However, not all delivery units will be designated as RDUs. Witness Gullo (USPS-T-1 at 16) describes the offices that will be designated as RDUs. Because of the uncertain nature of the demand for the RDU product, Postal Service management determined that it would be prudent to limit the availability of RDU service during the experiment to larger offices where the demand was expected to be most significant (the so-called "early-bird" offices). I am informed that the Postal Service is seeking to expand the number of "early-bird" offices as part of its move to improve customer service. As new "early-bird" offices are added, they potentially could be designated as RDU sites. In addition, depending on our experience with the PSRS RDU product during the experiment, the Postal Service may also designate some non-"early-bird" offices as RDU sites also. See also the response of witness Gullo to interrogatory OCA/USPS-T1-22.

I am informed that no comprehensive list of "early-bird" offices exists, although one is being prepared. At present one can consult the lists on the Postal Service's web page at the following address: http://www.usps.com/shipping/acceptance.htm. These lists identify offices by times open to accept DDU mail. "Early-bird" offices must, at a minimum, be open for acceptance from 5 to 7 a.m. and from 10 a.m. to 4 p.m.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JAMES KIEFER TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T3-8. At pages 5 and 6 of your testimony, you mention that there may be some space constraints for the storage of PRS parcels. Does the Postal Service anticipate having to rent additional space or provide temporary storage structures (such as trailers or sheds) to store PRS parcels? Please discuss.

RESPONSE:

No. As discussed in my testimony (USPS-T-3 at 5) and also in the testimony of witness Gullo (USPS-T-1, Section VII), the Postal Service will adjust pickup schedules to ensure that return parcels will be picked up in a timely manner. This means that the Postal Service will arrange pickup schedules so that existing space is not excessively taxed, and no additional space will be required.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JAMES KIEFER TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T3-9. At page 12 of your testimony, you assume that the total annual market for return parcels is 300 million pieces. Please describe the reasoning you employed to arrive at that figure. Also state any data you referred to in determining 300 million pieces to be a reasonable figure.

RESPONSE:

Developing estimates of the size of the return parcel market is difficult, at best, since this volume is not tracked. Furthermore, simple visual inspection of parcel flows cannot say with any reasonable degree of certainty which parcels contain returned merchandise and which do not. The Postal Service has seen return market volume estimates that vary widely. The lowest estimate we have seen is fewer than 180 million pieces per year; the highest estimate we have seen is over 700 million pieces. The following list shows the primary market size estimates that were relied on:

- Source A: 171 million pieces
- Source B: 276 million pieces
- Source C: 360 million pieces
- Source D: 514 million pieces
- Source E: 705 million pieces.

Source C is a published source: Steve Rifai, "A New Era for USPS Shipping," *Parcel Shipping and Distribution*, Spring 2003. Source B is from a study performed by Forrester Research, Inc.; Source E is from a study performed by Gartner, Inc. It is my understanding that both of these two estimates have been widely published in the trade literature. The others are private forecaster estimates obtained under contract, or from private in-house sources.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JAMES KIEFER TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

For purposes of estimating revenue and cost impacts, I decided to adopt a figure that was somewhat on the conservative side of the above range. In any event, the experiment will allow us to determine the market response to our offering, which is more important than a measure of the total market. Also, despite the rather wide variation in estimates, the market size did not affect the per-piece cost savings or the determination of the proposed rates (See the response to OCA/USPS-T3-14, part (b)).

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JAMES KIEFER TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T3-10. At page 12 of your testimony, you assume that PSRS might capture 4% of the 300 million returned parcels. Please describe the reasoning you employed to arrive at the 4% figure. Also state any data you referred to in determining 4% to be a reasonable figure.

RESPONSE:

During the development of the PSRS product, the Postal Service engaged in discussions with Newgistics related to the share of the returns market that potentially would use PSRS. These discussions suggested that PSRS share of the parcel returns market could range from 2% to 7%, depending on the rate offered. Taking into account the size of the discount embodied in my proposed rates, I selected 4% as a reasonable estimate of the potential market share for PSRS since it fell within the range of market share projections, but was slightly on the conservative side. As stated in my testimony, the market for the proposed new services is uncertain, and the actual demand will emerge as part of what we will learn from the experiment. Even if the market share turns out closer to the extremes of the 2-7% range, the overall impact of PSRS on Parcel Post revenues and costs will remain small relative to total subclass revenues and costs. Furthermore, the market demand did not affect the per-piece cost savings or the determination of the proposed rates (See the response to OCA/USPS-T3-14, part (b)).

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JAMES KIEFER TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T3-11. At page 12 of your testimony, you assume that BPMRS might generate a volume of 7.5 million pieces. Please describe the reasoning you employed to arrive at the 7.5 million piece figure. Also state any data you referred to in determining 7.5 million pieces to be a reasonable figure.

RESPONSE:

I based this projection on information obtained during discussions with mailers regarding potential usage of Parcel Return Services products. These discussions yielded information on the current order of magnitude of return parcel volume received by likely participants in a BPM return service experiment. Based on this information, I developed my estimate for the annual usage of BPMRS for purposes of estimating the revenue impacts of the experiment. In developing this estimate, in addition to information about the current market, I also relied on mailer interest and capabilities in arriving at a judgmental estimate of 7.5 million pieces per year. As with PSRS, the market for the proposed new BPMRS is uncertain, and the actual demand will emerge as part of what we will learn from the experiment. Even if the demand turns out several times higher or lower than estimated, the overall impact on BPM revenues and costs will remain small relative to total subclass revenues and costs.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JAMES KIEFER TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T3-12. At page 12 of your testimony, you state that some figures used in your testimony were based on discussion with mailers.

a. How many mailers were consulted?
b. In what types of businesses were these mailers engaged?
c. Please estimate the range of parcel volumes these mailers ship with the Postal Service and alternative carriers, as well as the range of parcel volumes they receive as returns.

RESPONSE:

a. I was not involved with the mailer discussions, but I understand that in the general course of business, our product managers gained an understanding of the marketplace through discussions with customers and associations. As these discussions are informal and wide-ranging, there is not a specific count of mailers, but I understand that at least seven entities were involved in some level of discussion about the market.

b. These companies included transportation companies, consolidators and merchants.

c. Most of the companies involved do not produce their own mail, but rather handle mail on behalf of merchants. For the group of companies that generate their own mail, the aggregate quantities of outgoing and return parcels sent via the Postal Service each number in the millions of pieces per year. I do not know what volumes this latter group ships via alternative carriers.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JAMES KIEFER TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T3-13. At page 16 of your testimony, you refer to non-Postal Service forecasts concerning the size of the total returns market, and that the forecasts vary by many hundreds of millions of pieces from the lowest to the highest. Please provide these forecasts, and state the source for each forecast provided.

RESPONSE:

Please see the response to OCA/USPS-T3-9.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JAMES KIEFER TO INTEROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T3-14. The following interrogatory relates to the inclusion of the costs of electronic Delivery Confirmation in Parcel Select RDU and RBMC rates.

a. Please confirm that the cost of electronic delivery confirmation is currently reflected in the costs and rates of the existing Parcel Select rates. If you are unable to confirm, please explain.
b. As a simple summary of the method used to develop Parcel Select RDU and RBMC rates, please confirm that the following is correct: (1) you developed forecasted Parcel Select RDU and RBMC volumes; (2) you determined the cost savings for RDU and RBMC products; and (3) you developed a discount reflecting the passthrough of a portion of the mail processing and transportation RDU and RBMC savings which was then subtracted from the current Parcel Select rates to derive the proposed parcel return rates? If you are unable to confirm, please explain.
c. Please confirm that your proposed discounted rates continue to include the cost of providing electronic Delivery Confirmation. If you are unable to confirm, please provide a summary of your methodology.

RESPONSE:

a. Confirmed.

b. Not confirmed.

Item (1) is not correct to the extent that it indicates that a volume estimate was required prior to the development of cost savings and rates. While my workpapers do employ estimates of PSRS volumes as inputs, these are not required to develop the per-piece savings and rates. They are only used to estimate total revenue and cost impacts. The key elements for determining rates are not the total volumes, but the volume distributions which, as was stated in my testimony and workpapers, were taken from Docket No. R2001-1 data. For this reason, the same per-piece savings, discounts and rates would emerge, regardless of the estimated total volume of PSRS parcels.

Item (2) is substantially correct.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JAMES KIEFER TO INTEROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

Item (3) is incorrect. As described in my testimony (USPS-T-3, at 9-10) and in my workpapers (WP-PRS-10, See, especially, notes [1] and [2]), the benchmark rates for PSRS RBMC were the Intra-BMC zoned rates. Also, as described in my testimony (at pages 7-8), the RDU regular-sized piece rate is based on passing through a portion of the average savings of all RDU regular-sized parcels from the average revenue that these pieces would have paid using the benchmark rates, *Parcel Post* Intra-BMC Local rates. *Parcel Select* rates were not used as the basis for any PRS rates and do not appear in my workpapers.

c. Not confirmed. See the response to part (b) above. Since the benchmark for PSRS rates is not Parcel Select rates, but Parcel Post Intra-BMC rates, the proposed rates do not include any costs for electronic Delivery Confirmation. My methodology for developing regular-sized PSRS rates is summarized in my testimony (USPS-T-3, at 7-10). A briefer summary is contained in the response to part (b), above.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JAMES KIEFER TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE, REDIRECTED FROM WITNESS JOHN GULLO

OCA/USPS-T1-3. The following interrogatory refers to your testimony at page 4, lines 5 through 7. Assume that a consumer returns a parcel at an RDU that is not within the service area of the BMC that serves the RDU designated for the parcel's return.

c. How are the additional transportation and handling costs factored into the price of the assumed RDU addressed parcel?

RESPONSE:

c. Witness Eggleston's cost savings estimates used to develop the RDU pricing do not reflect any additional costs for RDU parcels that will travel first to BMCs other than the RBMCs identified in their postal routing barcodes. The share of RDU parcels that will travel to two BMCs, rather than one BMC, is unknowable before the experiment, but the Postal Service believes it to be negligibly small. It is believed to be small because, for an RDU parcel to travel through two BMCs, a consumer would have to carry it outside his or her BMC service territory before entering it. The Postal Service believes this would happen only occasionally and such parcels would comprise only a negligible share of total RDU pieces. The RDU pricing passes through less than 100% of estimated cost savings, in part, to allow for certain unknown costs, such as those described in this response, that might arise over the course of the experiment.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JAMES KIEFER TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE, REDIRECTED FROM WITNESS JOHN GULLO

OCA/USPS-T1-4. The following interrogatory refers to your testimony at page 4, lines 5 through 7. Assume that a consumer returns an RBMC designated parcel to a post office that is outside of the designated RBMC service area.

b. If additional handling and transportation costs are incurred in processing the assumed RBMC parcel, please explain fully how such additional handling and transportation costs have been factored into the price of the RBMC mail piece.

RESPONSE:

b. Witness Eggleston's cost savings estimates used to develop the RBMC pricing do not reflect any additional costs for RBMC parcels that will travel first to BMCs other than the RBMCs to which they are addressed. The share of RBMC parcels that will travel to two BMCs, rather than one BMC, is unknowable before the experiment, but the Postal Service believes it to be negligibly small. It is believed to be small because, for an RBMC parcel to travel through two BMCs, a consumer would have to carry it outside his or her BMC service territory before entering it. The Postal Service believes this would happen only occasionally and such parcels would comprise only a negligible share of total RBMC pieces. The RBMC pricing passes through less than 100% of estimated cost savings, in part, to allow for certain unknown costs, such as those described in this response, that might arise over the course of the experiment.

United States Postal Service

Jonathan E. Wittnebel
(USPS-T-4)

USPS-T-4

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

EXPERIMENTAL PARCEL RETURN SERVICES

Docket No. MC2003-2

DIRECT TESTIMONY
OF
JONATHAN E. WITTNEBEL
ON BEHALF OF
UNITED STATES POSTAL SERVICE

CONTENTS

Page

Autobiographical Sketch

My name is Jonathan Wittnebel and I am the Vice President for Postal Affairs for Newgistics Inc. Newgistics provides the technology and logistics solutions to manage product returns from millions of consumers back to original direct retailers. My responsibilities include development of a program that uses the Postal Service for handling returns that are taken out of the Postal Service stream at the Bulk Mail Center, then consolidated and shipped to the original direct retailer. I have also worked for RR Donnelley Logistics (CTC Distribution Direct) in developing its destination bulk mail center (DBMC) and destination delivery unit (DDU) entry programs for parcels.

I have over thirty years experience in direct marketing. I hold a Bachelor of Arts degree in Economics from the University of Minnesota. In addition, I am Newgistics' representative for the Parcel Shippers Association and the Association of Priority Mail Users. I have also been active in the Mailers Technical Advisory Committee and served on the USPS Blue Ribbon Committee.

I. Purpose and Scope of Testimony

The purpose of my testimony is to support the efforts of the Postal Service to establish experimental Parcel Return Services products. In this testimony, I will discuss generally how returns are processed and how the proposed experiment would make the return of merchandise more consumer friendly and operationally efficient. My testimony will focus especially on the Return Bulk Mail Center model of the proposed Parcel Return Services offering.

II. Current Parcel Return Process

The current returns process begins soon after a consumer receives merchandise ordered from a catalog, online, TV or other multi-channel direct retailer and the consumer determines that the merchandise does not meet expectations. Typical return reasons are wrong size, color variations, etc. The consumer must determine how to return merchandise to the retailer. Since many direct retailers do not have stores available to accept returns, consumers often return items through the mail.

Some direct retailers require consumers call their customer service line to obtain a return authorization number or call tag. After receiving an authorization number, consumers are instructed to package the item, address the package, apply postage or pay shipping charges, and return it to the retailer's operations center. Consumers often must take the package to a Post Office to determine the exact amount of postage due. While the Postal Service offers many retail outlets, some consumers turn to commercial mailing companies to avoid the perceived waits in line at the local Post Office counter. This prolonged process can be a disincentive for consumers to patronize direct retailers.

This traditional method of returning merchandise does not allow retailers to track the returned packages until arrival at the returns center. In addition, consumers typically call the retailer's customer service representatives one or more times to confirm the status of returned packages and the anticipated merchandise credit -- often before a customer service representative is able to confirm the packages' arrival. Handling these multiple customer calls is expensive.

In some merchandise categories, return rates can approach 30% of sales. Across all direct-to-consumer categories, this figure equates to hundreds of millions of packages annually. In order to reduce the perceived inconvenience of returns and encourage mail order shopping, retailers are highly motivated to develop solutions that will increase consumer satisfaction.

Newgistics' objective is to solve the problems of returns for both consumers and retailers. Newgistics' SmartLabel™ is a convenient pre-addressed, postage-due label, sent as part of the retailer's order summary, which consumers can use to return merchandise. Consumers simply apply the SmartLabel™ to their return package and enter it into the Postal System by a number of methods, including taking it to a Post Office, giving it to the letter carrier, or using the mailroom at work. Newgistics then receives the parcels, scans the barcodes to capture customer information and then processes the returned items as directed by the retailer (e.g., return-to-vendor, return-to-stock or any other return sites defined by the retailer).

Newgistics' SmartLabel™ provides the consumer convenience and simplifies the return process. Simultaneously, Newgistics provides consolidation and tracking efficiencies for retailers to monitor and provide additional customer service data.

III. Parcel Return Services

I believe that Parcel Return Services would be a beneficial addition to the Postal Service's current offerings. Return services could be expected to provide the Postal Service with additional parcel volume and lower operational costs.

My experience in the parcel returns industry tells me that improving the consumer's returns experience will increase the proportion of returns mailed vs. those returned directly to stores (e.g., at the local mall) given the convenience of the SmartLabel™ and the easy accessibility of the Postal Service's thousands of drop-off locations.

Removing packages from the Postal Service stream at the origin BMC creates efficiencies and cost savings for the Postal Service, as handling costs after the package sort at the origin BMC are eliminated. Aggregation and transportation efficiencies are gained, while processing improvements through the use of SmartLabel's™ intelligent barcode technology are realized.

The Postal Service will also be able to reduce consumer wait time at the local Post Office with the Parcel Return Services program and significantly improve consumer satisfaction with an easier Postal Service transaction.

IV. Parcel Return Market Size and Characteristics

Newgistics believes that an appropriately priced Postal Service product line, like Parcel Return Services as proposed by the Postal Service (aggregating returns at Bulk Mail Centers or delivery units for pickup), would be attractive both to the retailer and the returns provider. In my view, Witness Kiefer's assumed market share of 4% represents a reasonable, if not conservative, estimate of the near-term potential for Parcel Return Services.

To help understand certain aspects of this proposal, Newgistics has provided certain weight and zone data for packages delivered through the Bulk Mail Centers. See Exhibit A.

Exhibit A	
Estimated Characteristics of Parcel Returns Delivered From Origin BMCs[1] Average Weight per Parcel: 2.65 lbs.	
Zone	Percent of Volume
1 & 2	79%
3	18%
4	3%
5	0%

V. Conclusion

Newgistics supports the Postal Service's request for the experimental Parcel Return Services products because all involved parties benefit. The proposed services will improve the consumer's return experience, which should have the effect of bolstering the direct marketing industry overall. It would also provide the opportunity for the Postal Service to increase parcel volume, while reducing operational costs, and improve direct retailers' efficiencies.

[1] Source: Newgistics, Inc.

POSTAL RATE COMMISSION
DOCKET NO. MC2003-2
DECLARATION OF JONATHAN E. WITTNEBEL

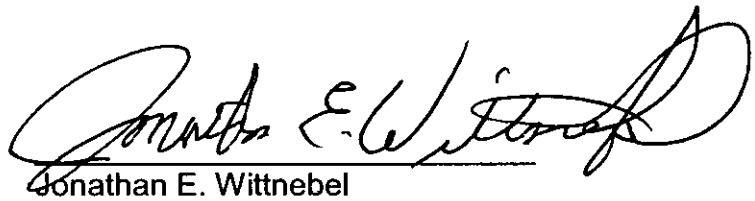
I hereby declare, under penalty of perjury, that:

The Direct Testimony of Jonathan E. Wittnebel on Behalf of United States Postal Service, USPS-T-4, was prepared by me or under my direction;

if I were to give this testimony before the Commission orally today, it would be the same;

I also prepared the interrogatory responses which were filed under my signature and which have been designated for inclusion in the record of this docket;

and that if I were to respond to these interrogatories orally today, the responses would be the same.



Jonathan E. Wittnebel

Date: August 1, 2003

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WITTNEBEL
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T4-1. In your testimony at page 2, you discuss the characteristics of the Newgistics SmartLabel™.

a. Was the SmartLabel™ developed specifically for use with the proposed Parcel Return Services? If not, please explain the history of the label.
b. If the label is or could be used for services other than Parcel Return Service, please explain any differences in the label when used for different services.
c. Has the Postal Service approved this label for use with Parcel Return Service?
d. Please provide a sample or a prototype of the Newgistics SmartLabel™ for each of the USPS services for which it is designed.
e. Are there any postal services currently in place that use the Newgistics SmartLabel™? If so, please list them.
f. Do any other carriers, such as United Parcel Service or Fedex, carry returned items via a Newgistics SmartLabel™? If so, please list them.
g. Please list other channels, aside from postal services, by which consumers and small businesses can return items using the Newgistics SmartLabel™.

RESPONSE:

a. The SmartLabel™ was designed for use with return services offered by the Postal Service, potentially including the proposed Parcel Return Services.

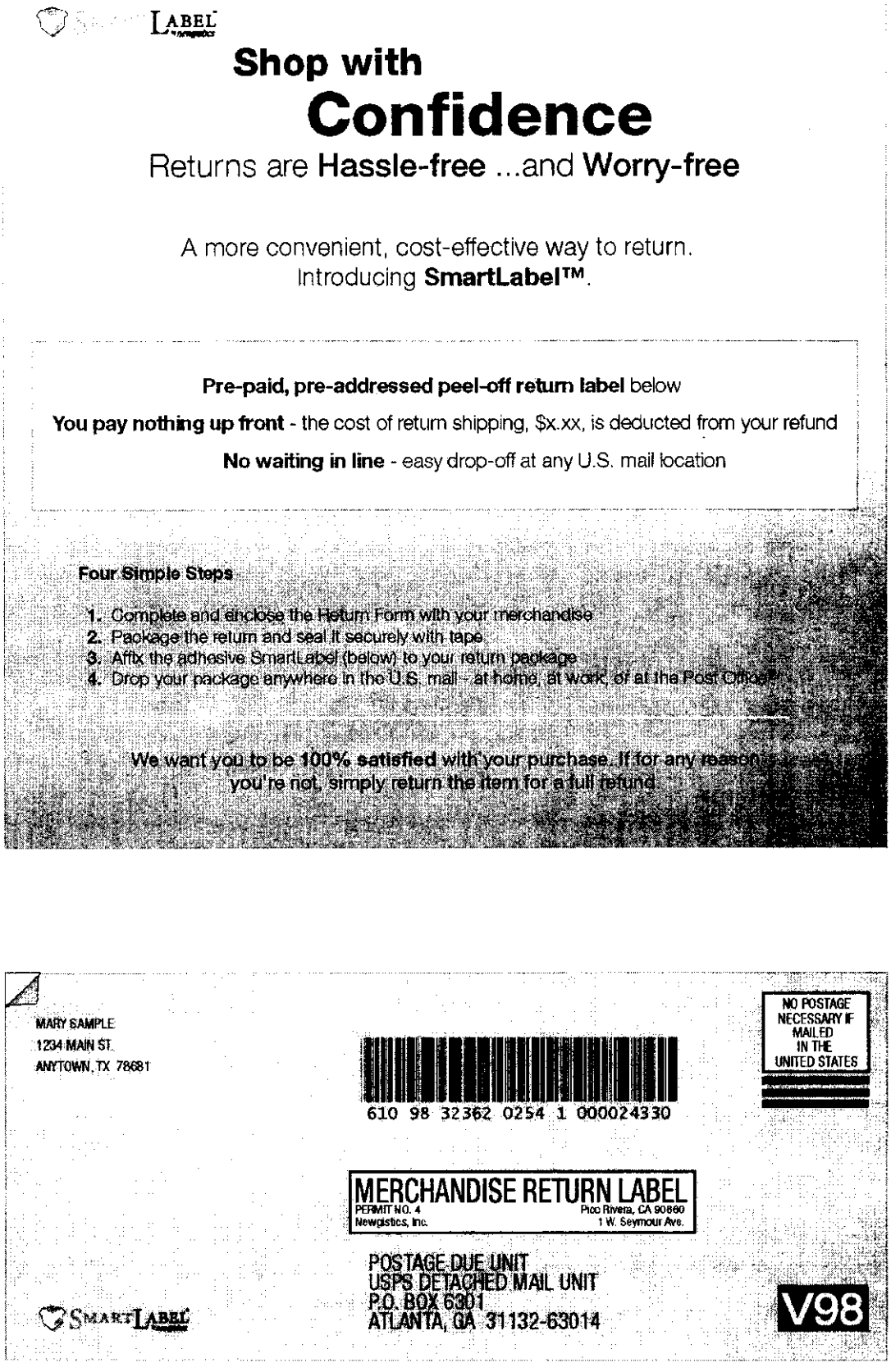
b. As shown below, the label is currently used for Merchandise Return Service. The label would be modified for future use for the proposed Parcel Return Services to include the required barcode, to indicate the appropriate service, and to meet other requirements to be specified by the Postal Service.

c. A label is being submitted for final review and approval.

d. A sample label is reproduced below.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WITTNEBEL
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

e.



RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WITTNEBEL
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

e. Yes, the Newgistics SmartLabel™ is being used for Merchandise Return Service.

f-g. The SmartLabel™ is used only within the United States Postal Service.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WITTNEBEL
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T4-2. In your testimony at page 2, lines15 through 17, you list a number of methods consumers may use to enter into the mail stream a return package with a Newgistics SmartLabel™. *Your list does not include placing the parcel in a collection* box. Witness Gullo indicates that parcel returns may be placed in a collection box. (USPS-T1 at 11, line 22.) Can return parcels with Newgistics SmartLabel™ be mailed at a collection box? If not, please explain.

RESPONSE:

Yes, it is my understanding that a merchandise-return parcel can be mailed in a collection box because it is from a "known mailer."

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WITTNEBEL
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T4-3. Your testimony includes an Exhibit A at page 5. The title of Exhibit A indicates that it estimates the characteristics of Parcel Returns [in percentages] delivered from Origin BMCs, and the source of the data is Newgistics, Inc.

a. Please explain the phrase "Delivered From Origin BMCs".
b. Please explain how the percentage of deliveries from origin BMCs is a satisfactory proxy to estimate the percentages of RBMC addressed returns that will be mailed from the various zones in the percentages listed, particularly since pickup will not necessarily be at every BMC.
c. What is the basis for the Newgistics, Inc. information provided in the Exhibit?
d. Four zone groups are set forth in the left-hand column of Exhibit A. Do these zones represent the distances returned parcels are carried from the consumers to the return BMCs or from the return BMCs to the retailers? Please explain.

RESPONSE:

a. It is for a parcel returned from a consumer within that consumer's BMC service area.

b. See response to part (a) above. It is our intent to pick up parcels at each BMC.

c. The basis is the parcel history from our current offering.

d. The zones represent the distances from the consumer to the BMCs.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WITTNEBEL
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T4-4. Based on your extensive experience in the parcel and logistics industries (as related at page ii of your testimony), please offer your opinion on the ten most common channels for returning merchandise ordered from vendors such as those described at page 1, lines 9 – 13. (OCA asks that you consider "channels" to refer to discrete postal services, alternative carriers such as United Parcel Service or Fedex, and others of which you are aware). Please list these ten channels in order of the volumes carried, from largest to smallest.

RESPONSE:

The most common channels for returning parcels include: United Parcel Service, FedEx, and their affiliates (UPS Store, World Ship Centers, etc). I do not have information as to the volumes or rank.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WITTNEBEL
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T4-5. In your opinion, will the availability of the proposed PRS products be likely to stimulate new merchandise purchases? Please discuss. If so, what percentage in additional overall merchandise purchases do you believe might be stimulated? Please explain your answer.

RESPONSE:

A convenient method of returning products can stimulate new merchandise purchases.

This comment is based on a study done by the Simon Management Group. I do not have information with specific percentage increases.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WITTNEBEL
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T4-6. In your opinion, do you think that the proposed PRS products will cause a shift from other methods for returning merchandise, such as Priority Mail, intra- and inter-BMC Parcel Post, conventional Bound Printed Matter, United Parcel Service, Fedex, Airborne, and others, into PRS? Please discuss the likelihood and extent of any such shifts.

RESPONSE:

This proposed service is an ongoing business development. Thus, based on the experiences so far, and the design of the RBMC rate, the use of inter BMC packages will decrease. I do not have details to comment on the impact of other mail classes. I do believe, as indicated earlier, that the convenience of the SmartLabel™ will spur additional purchases via direct marketing and thus result in more overall business, including returns.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WITTNEBEL
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T4-7. In your opinion, if the Postal Service were to give consumers access to delivery scan information collected at postal return facilities (described in USPS-T-1, at pages 9 – 10), would that reduce the number of calls to retailers that you mention in your testimony at page 2, lines 1 – 6? Please discuss.

RESPONSE:

It is my opinion that consumers would welcome the use of delivery scan information if it were made available to them. This certainly would result in fewer phone calls, reduced cost for the direct marketer, and improved consumer convenience.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WITTNEBEL
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T4-8. Do you recommend that the Postal Service give consumers access to delivery scan information collected at postal return facilities (described in USPS-T-1, at pages 9 – 10)? Please discuss.

RESPONSE:

Yes, I do recommend consumers be given access to delivery scan information. The increased use of technology helps improve confidence in the Consumer's direct marketing experience. The result will be increased consumer use of direct marketing services.